

EDUCATION

DEPARTMENT OF EDUCATION

Item 6110 from the General
Fund and various funds

Budget p. E 1

Requested 1990-91	\$22,499,263,000
Estimated 1989-90	21,147,992,000
Actual 1988-89	19,553,543,000
Requested increase (excluding amount for salary increases) \$1,351,271,000 (+6.4 percent)	
Total recommended reduction (transfer to Proposition 98 reserve for subsequent appropriation based on legislative priorities)	\$110,603,000
Total recommended net increase (non-Proposition 98)	\$13,934,000
Recommendation pending	\$224,489,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6110-001-001—Main support	General	\$44,366,000
6110-001-178—School bus driver instructor training	Driver Training Penalty Assessment	903,000
6110-001-231—Health and physical education	Cigarette and Tobacco Products Surtax	900,000
6110-001-305—Private postsecondary education	Private Postsecondary Administration	1,381,000
6110-001-344—School facilities planning	State School Building Lease-Purchase	1,362,000
6110-001-687—Donated food distribution	Donated Food Revolving	13,386,000
6110-001-890—Federal support	Federal Trust	45,361,000
6110-003-001—Fiscal oversight	General	5,537,000
6110-006-001—Special schools	General	44,642,000
6110-006-814—Lottery revenues	California State Lottery Education	148,000
6110-007-001—Special schools student transportation	General	436,000
6110-015-001—Instructional materials warehousing/shipping	General	327,000
6110-021-001—Child nutrition administration	General	593,000
6110-101-001—School apportionments	General	9,708,475,000
6110-101-814—Lottery revenues	California State Lottery Education	834,861,000
6110-101-890—Federal block grant	Federal Trust	40,232,000
6110-102-001—Regional Occupational Centers/Programs	General	231,948,000
6110-106-001—County schools	General	134,006,000
6110-106-231—Health and physical education	Cigarette and Tobacco Products Surtax	2,500,000
6110-107-001—Class size reduction	General	110,000,000
6110-108-001—Supplemental grants	General	180,000,000
6110-109-001—High school pupil counseling	General	7,639,000
6110-111-001—Home-to-school transportation	General	317,067,000
6110-114-001—Court-ordered desegregation	General	431,638,000

DEPARTMENT OF EDUCATION—Continued

6110-115-001—Voluntary desegregation	General	72,092,000
6110-116-001—School Improvement Program	General	305,356,000
6110-118-001—Vocational education student organizations	General	576,000
6110-119-001—Specialized secondary schools/foster youth services/opportunity programs	General	5,389,000
6110-120-001—Pupil dropout prevention	General	11,737,000
6110-121-001—Economic Impact Aid	General	249,679,000
6110-124-001—Gifted and Talented Education	General	28,503,000
6110-126-001—Miller-Unruh Reading Program	General	20,791,000
6110-128-001—Intergenerational education	General	173,000
6110-128-890—Math & science teacher training	Federal Trust	7,294,000
6110-131-001—Native American Indian education	General	382,000
6110-136-890—Federal ECIA Chapter 1	Federal Trust	401,793,000
6110-141-890—Migrant education	Federal Trust	93,207,000
6110-146-001—Demonstration programs in reading and mathematics	General	4,570,000
6110-151-001—American Indian education centers	General	1,912,000
6110-156-001—Adult education	General	278,490,000
6110-156-890—Federal adult education	Federal Trust	11,006,000
6110-158-001—Adults in correctional facilities	General	2,575,000
6110-161-001—Special education	General	1,398,913,000
6110-161-890—Federal special education	Federal Trust	181,089,000
6110-162-001—Alternatives to special education	General	620,000
6110-166-001—Vocational education	General	8,716,000
6110-166-890—Federal vocational education	Federal Trust	80,298,000
6110-167-001—Agricultural vocational education	General	3,139,000
6110-171-178—Driver training	Driver Training Penalty Assessment	[21,236,000]
6110-176-890—Refugee and immigrant programs	Federal Trust	19,048,000
6110-180-001—Institute of computer technology	General	338,000
6110-181-001—Educational technology	General	13,570,000
6110-181-140—Environmental education	California Environmental License Plate	515,000
6110-183-890—Drug and alcohol abuse prevention	Federal Trust	20,480,000
6110-186-001—Instructional materials, K-8	General	99,599,000
6110-187-001—Instructional materials, 9-12	General	25,235,000
6110-191-001—Staff development	General	102,574,000
6110-196-001—Child development	General	345,656,000
6110-196-890—Federal child development	Federal Trust	3,327,000
6110-201-001—Child nutrition	General	48,068,000
6110-201-890—Federal child nutrition	Federal Trust	540,000,000
6110-209-001—Commissions on professional competence	General	30,000
6110-224-001—Year-round school incentives	General	8,753,000
6110-225-001—School/law enforcement partnership	General	650,000
6110-226-001—Cost-of-living adjustments	General	574,043,000
Local property tax revenues		4,856,997,000
Reimbursements		35,895,000
—Control Section 12.31—Proposition 98 reserve	General	210,000,000
—Control Section 22.00—GAIN	General	13,600,000
—Control Section 23.50—State Legalization Impact Assistance	State Legalization Impact Assistance	144,940,000
—School apportionments	State School	11,785,000

Item 6110

K-12 EDUCATION / 839

—Driver training	State School	21,236,000
—Tobacco use prevention	Cigarette and Tobacco Products Surtax	32,600,000
—Department administration	Special Deposit	1,260,000
—Unemployment insurance	Special Deposit	1,100,000
—Student tuition recovery	Student Tuition Recovery	70,000
—Loan repayments	General	—686,000
—Loan for GED automation	General	75,000
—Pending legislation	General	43,093,000
—Transfer to California State Summer School for the Arts	General	—596,000
Total		\$22,499,263,000
Funding Sources:		
General		\$15,094,289,000
Federal Trust		1,443,135,000
California State Lottery		835,009,000
State Legalization Impact Assistance		144,940,000
State School		33,021,000
Health Account, Tobacco Products Surtax		36,000,000
Donated Food Revolving		13,386,000
Special Deposit		2,360,000
Private Postsecondary Administration		1,381,000
State School Building Lease-Purchase		1,362,000
Driver Training Penalty Assessment		903,000
California Environmental License Plate		515,000
Student Tuition Recovery		70,000
Reimbursements		35,917,000
Local property tax revenues		4,856,997,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis
page

General Education Programs

1. Adult Education Concurrent Enrollment. We find that the budget proposes to reduce funding by \$30 million for K-12 students who are concurrently enrolled in adult education. 860
2. Community Schools. Recommend amendment of Budget Bill language to limit growth rates in specified students attending community schools based on a statewide average, rather than on a county-specific basis. 862
3. Adult Independent Study. We find that the budget proposes, two years ahead of schedule, to reduce funding for adults in K-12 independent study programs by \$14 million. 864
4. Independent Study Enrollment Restrictions. Recommend amendments to Budget Bill language to restrict adult enrollments only in independent study programs, as specified in current law. 865
5. Unexpended Proposition 98 Funds. Recommend enactment of urgency legislation to reappropriate \$18.2 million of unexpended 1988-89 funds to K-12 education, in order to allow Legislature to allocate funds based on its priorities. 867
6. Proposition 98 Reserve. Recommend that the Legislature (1) determine an appropriate level for the K-12 Proposition 98 reserve following the May revision and (2) at that time, 867

DEPARTMENT OF EDUCATION—Continued

appropriate the balance in excess of this amount for specific high-priority purposes.

Programs Relating to Classroom Instruction

7. *Class Size Reduction. Delete \$110 million from Item 6110-107-001 and augment Control Section 12.31 by \$110 million.* 874
Recommend \$110 million proposed for class size reduction be transferred to the Proposition 98 reserve, for subsequent allocation based on legislative priorities.

Programs Relating to Teaching and Administration

8. *New Teacher Project and Teaching Improvement Program. Delete \$42,000 from Item 6110-191-001 (e) and \$111,000 from Item 6110-191-001 (g), and augment Control Section 12.31 by \$153,000.* 880
Recommend deletion of \$153,000 proposed for population growth adjustments to these two programs, because they are intended to be pilot programs of limited scope.
9. *Administrator Training and Evaluation Program.* 881
Recommend that State Department of Education (SDE) and Commission on Teacher Credentialing report on plans for completing legislatively-required study of Administrator Training and Evaluation Program.

Special Education

10. *Evaluation Plan.* 886
Recommend adoption of supplemental report language requiring SDE to submit specific information on evaluation of the special education program.
11. *Noninstructional Services.* 887
Withhold recommendation on \$41.1 million associated with transferring responsibility for providing noninstructional services to special education students from the Department of Social Services and the Department of Mental Health to SDE, pending receipt of a specific implementation plan.
12. *Federal Funds.* 891
Withhold recommendation on \$131.8 million in federal funds, pending information from the Department of Finance and SDE on the correct level of federal funding for entitlements.
13. *Early Intervention for School Success Program.* 892
Recommend adoption of supplemental report language requiring SDE to review this program in comparison with other programs which have similar goals.

School Desegregation

14. *Program Growth.* 899
We find that desegregation costs continue to grow at rates far in excess of the K-12 budget generally, and that the Legislature has a limited number of options for bringing these costs under control.

15. Administrative Revisions to Funding. Recommend adoption of Budget Bill language requiring legislative notification, prior to approval by the Department of Finance, of any proposed revisions in allocations to school districts of desegregation funds. 900

Supplemental Grants

16. Allocation of Funds. Recommend adoption of Budget Bill language removing transportation, Economic Impact Aid, child nutrition, and other specified programs from the list used to determine the allocation of supplemental grants, because per-pupil needs for such programs vary significantly among districts. Further recommend transfer of funds from the supplemental grants program to the Proposition 98 reserve, based on legislative determination during budget hearings of amount needed to fund equalization of remaining categorical programs. 904
17. Local Expenditure Control. Recommend that the Legislature adopt a uniform policy on the amount of flexibility granted districts in expenditure of categorical funds, including supplemental grants. 907
18. Local Maintenance of Effort. Recommend that the Legislature clarify whether districts must maintain existing levels of local expenditures in programs generating entitlements to supplemental grant funding. 909

Other Specialized Education Programs

19. *Federal Drug and Alcohol Abuse Prevention. Augment Item 6110-183-890 by \$14,184,000.* Recommend an increase of \$14.2 million in the budget to reflect an anticipated increase in federal funding. 910
20. Drug Abuse Prevention—Target Funds. Recommend adoption of Budget Bill language directing (1) school districts to give priority in expenditure of funds for drug prevention to students with the highest risk of engaging in substance abuse and (2) SDE to disseminate research findings to school districts. 911
21. Drug Abuse Prevention Program Evaluation. Recommend adoption of Budget Bill language directing SDE to allocate a minimum of \$500,000 in federal funds for a longitudinal study of the effectiveness of drug abuse prevention programs. 912

DEPARTMENT OF EDUCATION—Continued

22. Driver Training. We find that the budget provides \$4.1 million less than the amount needed to fully fund a statutorily-required increase in driver training funding rates. 915

Ancillary Support for K-12 Education

23. Home-to-School Transportation. Recommend enactment of legislation to revise existing home-to-school transportation funding formula, because the present formula results in an inequitable distribution of state aid. 917
24. State School Building Lease-Purchase Program. Recommend adoption of Budget Bill language requiring the Office of Local Assistance to submit a revised work plan for the School Facilities Inventory (SFI) project. Further recommend that receipt of state deferred maintenance aid funding be conditioned on district participation in all phases of the SFI project. 921
25. Year-Round School Incentives. Withhold recommendation on \$51.5 million from the General Fund for year-round incentives, pending completion of a legislatively-required report on the value of such incentives in reducing the need for school facilities construction. 925
26. *Orchard Plan. Reduce Item 6110-224-001 (b) by \$180,000 and augment Control Section 12.31 by \$180,000.* Recommend deletion of \$180,000 proposed for the Orchard Plan pilot project and reappropriation of undisbursed balance of the past-year and current-year appropriations, because workload is less than budgeted. 927
27. *Pregnant and Lactating Students Program. Reduce Item 6110-201-001 (b) by \$270,000, reappropriate 1989-90 balance in Item 6110-490, and augment Control Section 12.31 by \$429,000.* Recommend deletion of \$270,000 proposed for meal supplements and reappropriation of undisbursed balance of current-year appropriation, because the current-year balance is sufficient to support the program in the budget year. Further recommend reappropriation of undisbursed balance of the 1988-89 appropriation to the Proposition 98 reserve. 930
28. Pregnant and Lactating Students Program—Funding Authority. Recommend adoption of Budget Bill language authorizing the expenditure of funds for the Pregnant and Lactating Students program. 932

Non-K-12 Education Programs

29. School Age Community Child Care ("Latchkey") Program. 935
Recommend that SDE report on (1) improvements in latchkey providers' compliance with enrollment guidelines since 1988-89, (2) the number of providers who still are not in compliance, and (3) fiscal and programmatic effects of reinstating fiscal sanctions.
30. Child Care Carryover Funds. Recommend that the Legisla- 936
ture review Governor's proposed priorities for expenditure of unexpended local assistance funds from previous fiscal years, in light of 1989 priorities.
31. Adult Education. We find that SDE's alternative allocation 938
formula for adult education growth funds meets intent of the Legislature, by basing allocations on unmet need. Recommend that the Legislature review the alternative formula during budget hearings.
32. Office of Food Distribution. Recommend enactment of 940
legislation to (1) continuously appropriate Donated Food Revolving Fund and (2) require Department of Finance to report annually on expenditures and handling fees.
33. Private Postsecondary Education Division. Recommend 942
adoption of supplemental language requiring the division to prepare final report on workload and operations, prior to handing over duties to new Council for Private Postsecondary and Vocational Education.







Department of Education

34. *L.A. Unified Reorganization Study. Reduce Item 6110-001- 946*
001 by \$250,000. Recommend deletion of \$250,000 for a study on the feasibility of reorganizing Los Angeles Unified School District, because the Legislature has already funded a major study on this subject.

OVERVIEW OF K-12 AND RELATED EDUCATION PROGRAMS ANALYSIS

Fiscal impact of recommendations. As shown in Table 1, we recommend a net reduction of \$110.9 million in specific, proposed General Fund appropriations for K-12 education programs (\$250,000 net reduction in 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 funding needs should be determined based on the *Legislature's* priorities for use of limited funds). We also recommend an augmentation of \$14.2 million (federal funds) to the federal drug and alcohol abuse prevention program (Item 6110-183-890), in order to reflect more accurately the anticipated level of federal funding.

DEPARTMENT OF EDUCATION—Continued**MAJOR ISSUES**

-  The Legislature should defer action on \$110 million to reduce class sizes and instead transfer these funds to the K-12 Proposition 98 reserve. Once the Legislature has determined an appropriate level for this reserve (at the May revision), it should appropriate the balance in excess of this amount for high-priority purposes (including fully funding COLAs and/or reducing class sizes).
-  The supplemental grants (categorical equalization) program inappropriately includes transportation, Economic Impact Aid, and other specified programs on the list of those that generate entitlements to \$180 million in funding, because per-pupil needs for these programs vary significantly.
-  Costs of desegregation programs continue to grow at rates far in excess of the K-12 budget generally. The Legislature has a limited number of options for bringing these costs under control.
-  The existing home-to-school transportation funding formula should be revised, because it results in an inequitable distribution of state aid.
-  The budget reduces funding for school apportionments by \$44 million, by tightening eligibility standards and funding rates for (1) K-12 students concurrently enrolled in adult education and (2) adults enrolled in K-12 independent study.
-  The budget reduces the amount of Proposition 98 funding available for other K-12 purposes by \$48 million, by (1) shifting to the K-12 budget funding for certain noninstructional services required by special education pupils and (2) increasing OCJP funding for drug education by \$10 million.

To the extent that any of our recommended reductions in General Fund support would otherwise cause the total level of K-12 education appropriations to be below the specified minimum funding level required by Proposition 98, we recommend that the funds made available *not* be transferred to the unrestricted balance of the General Fund. Instead, we recommend that the Legislature add these funds to the \$210 million Proposition 98 reserve for K-12 education provided in Control Section 12.31. Elsewhere in this analysis, we recommend that the Legislature determine an appropriate level for the K-12 education Proposition 98 reserve following the May revision, based on the amount needed in order to insure against potential declines in the overall level of the Proposition 98 minimum funding guarantee. We further recommend that, at that time, the Legislature appropriate the balance of the reserve (in excess of this amount) for designated, high-priority purposes. (Please see our analysis of the Proposition 98 reserve—Control Section 12.31—for a complete discussion of this issue.)

Table 1
K-12 Education
Summary of Legislative Analyst's
Fiscal Recommendations
1990-91

<i>Activity</i>	<i>General Fund</i>		<i>Federal Funds</i>
	<i>Budget Bill Item</i>	<i>Proposition 98 Reserve^a</i>	
Class size reduction	-\$110,000,000	+\$110,000,000	
Teacher pilot programs—growth	-153,000	+153,000	
Drug and alcohol abuse prevention			+\$14,184,000
Orchard plan (year-round schools)	-180,000	+180,000	
Child nutrition—pregnant/lactating	-270,000	+270,000	
Child nutrition—reappropriate 1988-89 balance	—	+159,000	
L.A. Unified reorganization study	-250,000	—	
Totals	-\$110,853,000	+\$110,762,000	+\$14,184,000

^a Control Section 12.31.

We also withhold recommendation on \$92.7 million in proposed appropriations from the General Fund and \$131.8 million in federal funds, pending receipt of additional information.

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**

	<i>Item Number</i>	<i>Analysis Page</i>
GENERAL PROGRAM STATEMENT		848
OVERVIEW OF THE BUDGET REQUEST		848
Funding for Education Programs		848
Significant Program Changes		851
Ten-Year Funding History		853
ANALYSIS AND RECOMMENDATIONS		857
I. Direct Support for K-12 Education Programs		857
A. General Education Programs		857
1. General-Purpose Revenue Limits	6110-101-001 and 6110-106-001	858
2. Adult Independent Study	6110-101-001	864
3. Proposition 98	—	866
4. Lottery Revenues	6110-006-814 and 6110-101-814	870
B. Specialized Education Programs		871
School-Based Program Coordination		871
1. Programs Relating to Classroom Instruction		872
* School Improvement Program	6110-116-001	873
* Instructional Materials	6110-015-001, 6110-186-001, and 6110-187-001	874
* High School Pupil Counseling	6110-109-001	874
* Environmental Education	6110-181-140	874
* Intergenerational Education	6110-128-001	874
* Educational Technology Program	6110-181-001	874
* Institute of Computer Technology	6110-180-001	874
Class Size Reduction	6110-107-001	874
Demonstration Programs in Reading and Mathe- matics	6110-146-001	876
2. Programs Relating to Teaching and Administration		877
* Mentor Teacher Program	6110-191-001 (b)	878
* Bilingual Teacher Training Program	6110-191-001 (c)	878
* Regional Science Resource Center	6110-191-001 (h)	878
* California International Studies	6110-191-001 (d)	878
* Geography Education	6110-191-001 (i)	878
* Reader Service for Blind Teachers	6110-191-001 (f)	878
* Math and Science Teacher Training Grant	6110-128-890	878
Professional Development Program	6110-191-001 (j)	879
New Teacher Project	6110-191-001 (g)	880
Teaching Improvement Programs	6110-191-001 (e)	880
Administrator Training and Evaluation Program	6110-191-001 (a)	881
3. Special Education		881
* State Special Schools	6110-006-001 and 6110-007-001	883
a. Master Plan for Special Education	6110-161-001	883
b. Special Education Federal Funds	6110-161-890	891
c. Alternatives to Special Education	6110-162-001	891
4. Vocational Education Programs		
* Regional Occupational Centers and Programs	6110-102-001	895
* School-Based Programs	6110-166-890	895
* Agricultural Vocational Education	6110-167-001	895
* Vocational Education Student Organizations	6110-118-001	896
* Partnership Academies	6110-166-001 and 6110-166-890	896

* GAIN Matching Funds.....	6110-166-001	896
* Federal JTPA/Other Reimbursements	6110-166-001	896
5. Compensatory Education Programs		
* Economic Impact Aid.....	6110-121-001	898
* Miller-Unruh Reading Program.....	6110-126-001	898
* Native American Indian Education	6110-131-001	898
* Indian Education Centers.....	6110-151-001	898
* ECIA Chapter 1.....	6110-136-890 and 6110-141-890	898
* Refugee and Immigrant Programs	6110-176-890	898
6. School Desegregation	6110-114-001 and 6110-115-001	898
7. Other Specialized Education Programs		901
* Foster Youth Services	6110-119-001 (a)	902
* Tobacco Use Prevention Program.....	6110-001-231 and 6110-106-231	902
* School/Law Enforcement Partnership	6110-225-001	902
* Commissions on Professional Competence.....	6110-209-001	902
* Opportunity Classes and Programs.....	6110-119-001 (b)	902
* Gifted and Talented Education.....	6110-124-001	902
* Specialized Secondary Schools.....	6110-119-001 (c)	902
* Federal Block Grant—ECIA Chapter 2	6110-001-890 and 6110-101-890	902
Supplemental Grants.....	6110-108-001	902
Federal Drug and Alcohol Abuse Prevention Pro- gram	6110-183-890	910
Pupil Dropout Prevention and Recovery	6110-120-001	913
Driver Training	6110-171-178	915
II. Ancillary Support for K-12 Education Programs		916
A. Transportation		916
* Small School District Bus Replacement	6110-111-001 (b)	916
* School Bus Driver Instructor Training	6110-001-178	916
Home-to-School Transportation.....	6110-111-001 (a)	917
B. School Facilities Programs		918
1. State School Building Lease-Purchase Program	—	920
2. Emergency Portable Classroom Program.....	—	924
3. Year-Round School Incentives.....	6110-224-001 (a)	925
4. Orchard Plan	6110-224-001 (b)	927
5. School Facilities Planning Unit.....	6110-001-344	928
C. Child Nutrition		928
* Nutrition Education and Training.....	6110-021-001	929
* Federal Child Nutrition Program	6110-201-890	929
* State Child Nutrition Program	6110-201-001 (a)	929
Pregnant and Lactating Students Program	6110-201-001 (b)	929
III. Non-K-12 Education Programs		932
A. Child Development.....	6110-196-001 and 6110-196-890	932
B. Adult Education		937
* Federal Adult Basic Education Act.....	6110-156-890	937
* Adults in Correctional Facilities	6110-158-001	937
* Immigration Reform and Control Act (IRCA).....	—	937
State K-12 Adult Education Program.....	6110-156-001	937
C. Office of Food Distribution.....	6110-001-687	940
D. Private Postsecondary Education	6110-001-305	942
IV. State Department of Education.....	6110-001-001, 6110-001-890, and 6110-003-001	944

* 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 1990-91, approximately 5.2 million students will attend public elementary and secondary schools in 1,010 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 1990-91 is projected to be 3.5 percent above the 1989-90 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 1,010 school districts. The department has 2,665 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^a
1988-89 through 1990-91

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop</i> 1990-91	<i>Change from 1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
Elementary.....	3,255,147	3,390,838	3,535,518	144,680	4.3%
High school.....	1,295,289	1,296,565	1,318,878	22,313	1.7
Adult education.....	195,204	199,500	203,800	4,300	2.2
County.....	23,809	25,400	27,900	2,500	9.8
ROC/P.....	102,467	104,600	106,200	1,600	1.5
Totals.....	4,871,916	5,016,903	5,192,296	175,393	3.5%

Source: Department of Finance.

^a Also includes estimates of ADA for supplemental summer school, which is funded on an hourly basis.

OVERVIEW OF THE BUDGET REQUEST

Funding for K-12 Education

Total funding for education programs in the prior, current, and budget years is shown in Table 3. The budget proposes that \$25 billion be made available to support education programs in 1990-91—an increase of \$1.6 billion (6.9 percent) over 1989-90.

The *state General Fund* (excluding General Fund support for deferred maintenance, year-round schools, and debt service on school facilities bonds in capital outlay) will provide \$16 billion, or 64 percent, of the total support. Other state special funds will provide \$89 million. Thus, the total amount proposed from state sources in 1990-91 is \$16 billion—an increase of \$1.2 billion, or 8.4 percent, over the current-year level.

Local property tax levies will provide \$4.9 billion, or 19 percent of total support—an increase of \$367 million, or 8.2 percent, over the current-year level. Thus, state and local revenue sources, combined, will provide a total of \$21 billion, or 84 percent of the total support for education in 1990-91—an increase of \$1.6 billion.

Other revenue sources are expected to contribute an additional \$4.1 billion, or 16 percent of the total, in the budget year. This amount is composed of (1) \$1.7 billion in federal funds, (2) \$141 million for capital outlay (excluding bond act proceeds), (3) \$226 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) \$835 million from the state lottery.

Table 3
Total Funding for Education Programs ^a
1988-89 through 1990-91
(dollars in millions)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
State:					
General Fund ^b	\$13,720.8	\$14,706.1	\$15,958.5	\$1,252.4	8.5%
Special funds ^c	77.8	96.8	89.0	-7.8	-8.1
Subtotals, state	(\$13,798.6)	(\$14,802.9)	(\$16,047.5)	(\$1,244.6)	(8.4%)
Local:					
Property tax levies ^d	\$4,116.9	\$4,490.0	\$4,857.0	\$367.0	8.2%
Subtotals, state and local	(\$17,915.5)	(\$19,292.9)	(\$20,904.5)	(\$1,611.7)	(8.4%)
Other:					
Federal ^e	\$1,520.5	\$1,742.0	\$1,675.9	-\$66.1	-3.8%
State capital outlay ^f	125.4	113.0	140.6	27.6	24.4
Local debt service	301.7	258.0	226.4	-31.6	-12.2
Local miscellaneous ^g	1,079.7	1,157.9	1,241.7	83.8	7.2
Lottery Fund ^h	834.2	835.0	835.0	—	—
Subtotals, other	(\$3,861.5)	(\$4,105.9)	(\$4,119.6)	(\$13.7)	(0.3%)
Totals	\$21,777.0	\$23,398.8	\$25,024.1	\$1,625.4	6.9%

^a Does not include bond act proceeds; does include costs of debt service to pay off bonds; details may not add due to rounding.

^b Includes contributions to the State Teachers' Retirement Fund; excludes capital outlay.

^c Includes the Tobacco Products Surtax Fund, State School Fund, Donated Food Revolving Fund, and others.

^d Includes state property tax subventions and excess property taxes.

^e Includes Federal Impact Aid (P.L. 81-874) which is not shown in the budget, SLIAG, and the Katz Schoolbus Fund/ Petroleum Violation Escrow Account.

^f Includes General Fund.

^g Includes revenue from sales of property and supplies, interest and lease income, and other income.

^h Governor's Budget estimates.

DEPARTMENT OF EDUCATION—Continued

Table 4 displays total funding proposed in 1990-91 for each of the education categories shown in the outline. The table shows that the Governor's Budget provides \$25 billion in total funding for K-12 and related education programs—\$16 billion from the state General Fund, \$1.1 billion from state special funds, \$6.3 billion from local revenues, and \$1.5 billion from federal funds.

Table 4 also shows that the \$25 billion is distributed as follows:

- **Direct support for K-12 education**—\$22.5 billion (90 percent of the total). General education programs (including school apportionments) account for \$17.5 billion of this amount, while specialized education programs (so-called "categorical" programs) account for the remaining \$5 billion.
- **Ancillary support for K-12 education**—\$1.5 billion (6 percent of the total). Programs in this category include transportation, school facilities, and child nutrition.
- **Non-K-12 education programs**—\$831 million (3 percent of the total). Programs in this category include child development, adult education, and the Office of Food Distribution and the Private Postsecondary Education Division within the SDE.
- **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)—\$102 million (less than 1 percent of the total).

Table 4
Total Funding for Education Programs ^a
By Type of Expenditure
1990-91
(dollars in millions)

	State		Local ^b	Federal	Totals
	General Fund	Special Funds			
Direct Support for K-12 Education					
General Education Programs					
School and county revenue limits ^c	\$10,051.6	\$11.8	\$4,449.2	—	\$14,512.6
Contributions to STRF	477.6 ^d	—	—	—	477.6
Other general education programs	400.0	836.0 ^e	1,241.7	\$65.2	2,542.9
Subtotals, general education programs	(\$10,929.2)	(\$847.8)	(\$5,690.9)	(\$65.2)	(\$17,533.0)
Specialized Education Programs					
Classroom instruction	\$580.5	—	—	—	\$580.5
Teaching and administration	105.7	—	—	\$7.3	112.9
Special Education	1,742.8	\$0.1 ^e	\$407.8	181.1	2,331.8
Vocational education	251.3	—	—	80.3	331.6
Compensatory education	280.3	—	—	514.0	794.3
School desegregation	518.8	—	—	—	518.8
Other specialized education programs	227.2	57.2	—	60.7	345.1
Subtotals, specialized education programs	(\$3,706.5)	(\$57.2)	(\$407.8)	(\$843.4)	(\$5,015.0)
Subtotals, direct support for K-12 education	(\$14,635.6)	(\$905.0)	(\$6,098.7)	(\$908.6)	(\$22,548.0)

Ancillary Support for K-12 Education

Transportation	\$317.1	—	—	\$22.6	\$339.7
School facilities	375.7	\$12.0	\$226.0	—	613.7
Child nutrition	49.5	—	—	540.0	589.5
Subtotals, ancillary support for K-12 education	(\$742.3)	(\$12.0)	(\$226.0)	(\$562.6)	(\$1,542.9)
<i>Non-K-12 Education Programs</i>					
Child development	\$356.0	—	—	\$3.3	\$359.3
Adult education	303.1	\$142.8	—	11.0	456.9
Office of Food Distribution	—	13.4	—	—	13.4
Private postsecondary education	—	1.4	—	—	1.4
Subtotals, non-K-12 education programs	(\$659.1)	(\$157.6)	(—)	(\$14.3)	(\$831.1)
State Department of Education ^f	\$50.3	\$6.6	—	\$45.4	\$102.2
TOTALS, REVENUES FOR EDUCATION PROGRAMS	\$16,087.3	\$1,081.2	\$6,324.7	\$1,531.0	\$25,024.1

^a Excludes reimbursements; details may not add due to rounding.

^b Includes state property tax subventions

^c Excludes Special Education revenue limits.

^d Based on 90 percent of total STRF contributions (K-12 teachers' share).

^e Includes lottery revenues.

^f Excludes state special schools, Office of Food Distribution, Private Postsecondary Education Division, and State Library.

Significant Program Changes

Table 5 shows the components of the \$1,625 million net increase in total support proposed for K-12 and related education programs in 1990-91. Table 5 shows that:

- *Baseline adjustments* total \$1,633 million, and
- *Program changes* total —\$8 million.

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

Table 5
K-12 Education
Proposed 1990-91 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)	\$14,802.4	\$948.5	\$5,905.8	\$1,742.0	\$23,398.6
<i>Baseline Adjustments</i>					
Enrollment/ADA increases:					
K-12 (3.5 percent)	\$475.8	—	—	—	\$475.8
Special education	74.5	—	—	—	74.5
Desegregation	14.0	—	—	—	14.0
Other programs	56.5	—\$7.3	—	—	49.2
Statutory inflation adjustments:					
K-12 apportionments (4.95 percent)	729.7	—	—	—	729.7
Other statutory COLAs	165.8	—	—	—	165.8
Increase in local property taxes	—356.2	—	\$335.4	—	—20.8
1989-90 one-time appropriations ^a	—212.7	—	—	—	—212.7
1988-89 appropriations in base	129.9	—	—	—	129.9
Local miscellaneous revenues	—	—	83.8	—	83.8
Contributions to STRF ^b	75.9	—	—	—	75.9

DEPARTMENT OF EDUCATION—Continued

Table 5—Continued
K-12 Education
Proposed 1990-91 Budget Changes
(dollars in millions)

	State		Local	Federal	Totals
	General Fund	Special Funds			
School facilities aid ^c	88.5	-4.7	—	-\$10.8	73.0
Mandate reimbursements	64.8	—	—	—	64.8
Desegregation expansion	29.3	—	—	—	29.3
Driver training (Ch 924/89)	—	4.1	—	—	4.1
Immigration Reform and Control Act	—	—	—	-40.4	-44
Special education	-23.8	—	—	5.0	-18.9
Schoolbus demonstration project	—	—	—	-14.4	-14.4
Adult independent study (Ch 1089/89) ...	-10.7	—	—	—	-10.7
PERS reduction	-5.7	—	—	—	-5.7
ECIA Chapter 1	—	—	—	-4.3	-4.3
Child care carryover funds	-3.5	—	—	—	-3.5
Other baseline changes	-3.5	-0.5	—	-1.3	-5.3
Subtotals, baseline adjustments	\$1,288.4	-\$8.4	\$419.2	-\$66.1	\$1,633.1
<i>Program Changes</i>					
Inflation adjustments					
Reduce statutory COLAs to 3.0 per-					
cent	-\$352.6	—	—	—	-\$352.6
Discretionary COLAs (3.0 percent)	31.2	—	—	—	31.2
Proposition 98 reserve	210.0	—	—	—	210.0
Class size reduction	110.0	—	—	—	110.0
Noninstructional special education ser-					
vices	41.1	—	—	—	41.1
School apportionments: adults	-44.0	—	—	—	-44.0
Driver training underfunding	—	-\$4.1	—	—	-4.1
Other program changes	0.5	—	—	—	0.5
Subtotals, program changes	-\$3.8	-\$4.1	—	—	-\$7.9
1990-91 Expenditures (Proposed) ^d	\$16,087.0	\$936.0	\$6,325.1	\$1,675.9	\$25,024.0
Changes from 1989-90:					
Amount	\$1,284.6	-\$12.5	\$419.3	-\$66.1	\$1,625.4
Percent	8.7%	-1.3%	7.1%	-3.8	6.9%

^a Includes \$106.2 million in 1989-90 Proposition 98 reserve and \$10 million loan to Oakland Unified School District.

^b Based on 90 percent (K-12 teachers' share) of total STRF contributions.

^c Includes General Fund bond repayments.

^d Details may not sum to totals due to rounding.

In addition to the changes shown in Table 5, our review indicates that the budget reduces the amount of Proposition 98 funding that would otherwise have been available for K-12 purposes by \$48 million, by (1) shifting to the K-12 budget funding for certain noninstructional services required by special education pupils (discussed below in Item 6110-161-001) and (2) increasing funding for drug education programs administered by the Office of Criminal Justice Planning (OCJP) by \$10 million (discussed in Item 8100).

Ten-Year Funding History

Total Funding. Table 6 and Chart 1 display total funding for education programs, by source, for the 10 years, 1981-82 through 1990-91. 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 \$12.5 billion in 1981-82 to \$25 billion in 1990-91—an increase of \$12.5 billion, or 100 percent. Since 1981-82, state aid from the General Fund and state special funds has grown by 108 percent, and support derived from local property taxes has increased by 73 percent.

Average daily attendance (ADA) over the 10-year period grew 24 percent, from 4,202,000 to 5,192,296. 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 (Ch 498/83, Hart).

Funding 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 62 percent since 1980-81 (from \$2,981 to \$4,819).

If we adjust these amounts for inflation, however, a different picture emerges. For 1990-91, the proposed per-pupil expenditure level as measured in constant dollars is \$3,204—or 7.5 percent above the 1980-81 amount.

Table 6
Total Education Funding ^a
1981-82 through 1990-91
(dollars in millions)

	State Aid ^c	Local Property Tax Levies ^d	Lottery	Federal Aid	Other Local Income ^f	Total Funding	ADA	Current Dollars		1981-82 Dollars ^b	
								Per ADA	Percent Change	Per ADA	Percent Change
1981-82.....	\$7,762.3	\$2,933.6	—	\$998.4	\$833.7	\$12,528.0	4,202,000	\$2,981	2.5%	\$2,981	-4.7%
1982-83.....	7,884.8	2,941.8	—	963.2	845.7	12,635.5	4,231,431	2,986	0.2	2,817	-5.5
1983-84.....	8,478.8	2,975.5	—	1,063.1	831.0	13,348.4	4,260,873	3,133	4.9	2,826	0.3
1984-85.....	9,674.6	3,298.4	—	1,135.0	887.4	14,995.4	4,352,597	3,445	10.0	2,967	5.0
1985-86.....	10,508.9	3,595.5	\$506.2	1,197.2	968.6	16,776.3	4,469,821	3,753	8.9	3,113	4.9
1986-87.....	11,857.3	3,804.2	410.9	1,229.3	938.8	18,240.5	4,611,637	3,955	5.4	3,177	2.1
1987-88 (estimated).....	12,633.5	4,097.7	650.9	1,312.5	1,006.8	19,701.4	4,722,792	4,172	5.5	3,205	0.9
1988-89 (estimated).....	13,924.0	4,418.6	834.3	1,520.5 ^e	1,079.7	21,777.1	4,871,916	4,470	7.1	3,280	2.3
1989-90 (estimated).....	14,915.9	4,747.9	835.0	1,742.0 ^e	1,157.9	23,398.7	5,016,903	4,664	4.3	3,267	-0.4
1990-91 (budgeted).....	16,188.1	5,083.4	835.0	1,675.9 ^e	1,241.7	25,024.1	5,192,296	4,819	3.3	3,204	-1.9
Cumulative Change											
Amount.....	\$8,425.8	\$2,149.8	\$835.0	\$677.5	\$408.0	\$12,496.1	990,296	\$1,838	—	\$223	—
Percent.....	108.5%	73.3%	—	67.9%	48.9%	99.7%	23.6%	61.7%	—	7.5%	—

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

^a Details may not sum to totals due to rounding. Does not include bond act proceeds; does include costs of debt service to pay off bonds.

^b Adjusted by the GNP deflator for state and local government purchases.

^c Includes all General Fund and special fund monies in Item 6110, contributions to the State Teachers' Retirement Fund (STRF), state capital outlay. Excludes funding for State Library Programs.

^d Includes local debt, excess property taxes, and state property tax subventions.

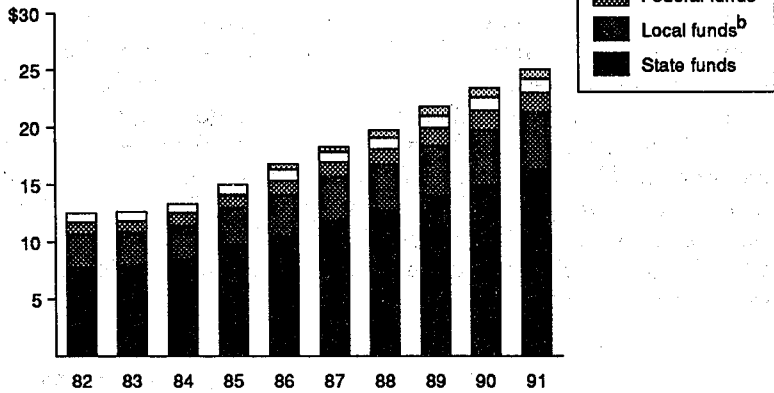
^e Includes funds from the Petroleum Violation Escrow Account for the replacement of school buses, and State Legalization Impact Assistance Grants.

^f Includes revenue from sales of property and supplies, interest and lease income, and other income.

Chart 1

K-12 Education Funding By Source

1981-82 through 1990-91 (in billions)^a



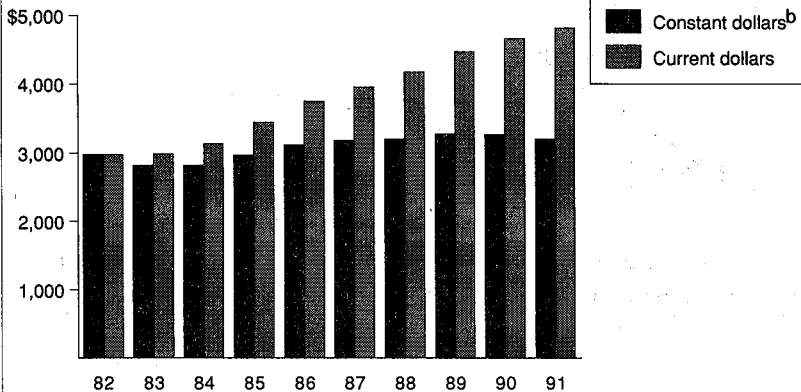
^a Data are for fiscal years ending in years specified.

^b Includes state property tax subventions and local debt.

Chart 2

K-12 Education Funding Per ADA In Constant and Current Dollars

1981-82 through 1990-91 ^a



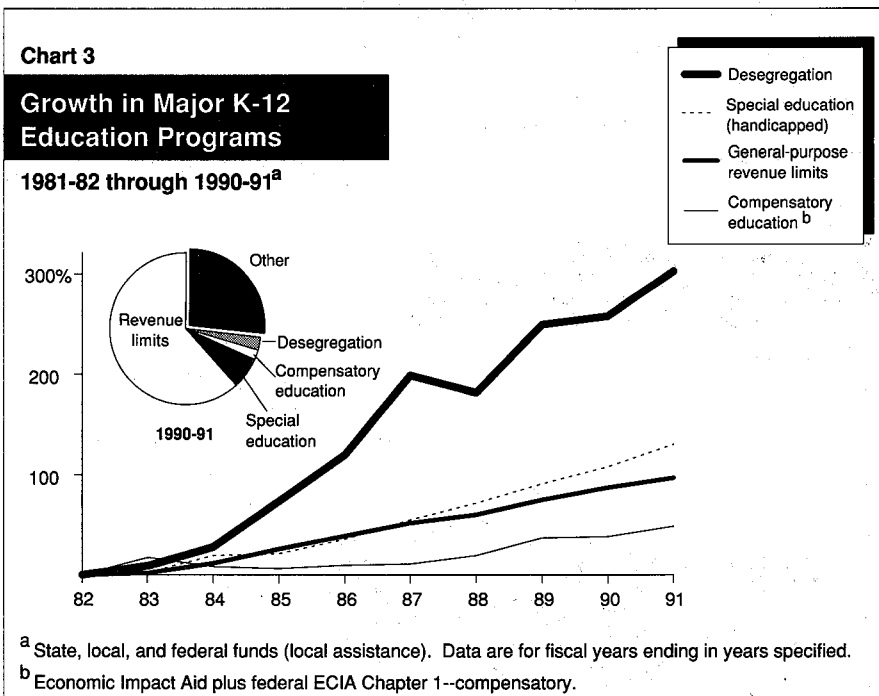
^a Data are for fiscal years ending in years specified.

^b As adjusted by the GNP deflator for state and local government purchases.

DEPARTMENT OF EDUCATION—Continued

Growth in Major K-12 Education Programs. Chart 3 shows the relative growth rates, over the period 1981-82 through 1990-91, in total funding (state, local, and federal) for the four largest K-12 education programs: (1) general-purpose revenue limits, (2) special education for handicapped pupils, (3) court-ordered and voluntary desegregation programs, and (4) compensatory education (Economic Impact Aid plus federal Chapter 1 compensatory). (These four programs account for over 70 percent of the total funding for K-12 education shown in Table 6.)

As the chart shows, these programs have grown at very different rates over the ten-year period. Specifically, funding for general-purpose revenue limits will have nearly doubled, while funding for special education will have increased by 130 percent. Funding for compensatory education, in contrast, will have grown by only 49 percent. Finally, funding for desegregation programs will have *quadrupled*. (Later in this analysis, we discuss the Legislature's options for bringing the costs of desegregation programs under control.)



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 and/or 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 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 \$18 billion in 1990-91. This is an increase of \$1.2 billion, or 6.4 percent, over the estimated current-year amount, and is composed of a \$641 million increase in General Fund support and a \$442 million increase in revenues from local sources.

Table 7
K-12 Education
General Education Expenditures ^a
1988-89 through 1990-91
(dollars in millions)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
General-Purpose Revenue Limits ^b					
K-12 districts	\$13,059.8	\$13,862.7	\$14,691.3	\$828.6	6.0%
County offices	248.6	271.1	294.6	23.5	8.7
Subtotals, revenue limits	(\$13,308.4)	(\$14,133.8)	(\$14,985.9)	(\$852.1)	(6.0%)
Other General Education					
Contributions to STRF ^c	\$489.2	\$401.7	\$477.6	\$75.9	18.9%
Meals for needy pupils	31.9	34.4	36.5	2.1	6.1
Apprenticeship programs	4.9	5.4	6.0	0.5	9.2
Education mandates	65.9	125.2	190.0	64.8	51.8
Oakland USD loan	—	10.0	—	-10.0	-100.0
One-time per-ADA funding (Ch 83/89) ..	—	90.5	—	-90.5	-100.0
Proposition 98 reserve	—	106.2	210.0	103.8	97.8
Federal P.L. 81-874	65.2	65.2	65.2	—	—

DEPARTMENT OF EDUCATION—Continued

Table 7—Continued
K-12 Education
General Education Expenditures^a
1988-89 through 1990-91
(dollars in millions)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
Lottery revenue	834.3	834.9	834.9	—	—
Miscellaneous	1,079.8	1,157.9	1,241.7	83.8	7.2
Subtotals, other general education	<u>(\$2,571.2)</u>	<u>(\$2,831.4)</u>	<u>(\$3,061.9)</u>	<u>(\$230.4)</u>	<u>(8.1%)</u>
Totals	\$15,879.6	\$16,965.2	\$18,047.7	\$1,082.5	6.4%
Funding Sources, revenue limits:					
<i>General Fund</i>	\$9,285.2	\$9,748.1	\$10,242.3	\$494.2	5.1%
<i>State School Fund</i>	12.8	11.9	11.8	-0.1	-1.0
<i>Special Deposit Fund</i>	1.1	1.1	1.1	—	—
<i>Local funds^d</i>	4,009.3	4,372.7	4,730.7	358.0	8.2
Funding Sources, other general education:					
<i>General Fund</i>	\$591.9	\$773.4	\$920.1	\$146.6	19.0%
<i>Local funds</i>	1,079.7	1,157.9	1,241.7	83.8	7.2
<i>California State Lottery Education Fund</i>	834.3	834.9	834.9	—	—
<i>Federal funds</i>	65.2	65.2	65.2	—	—

^a Details may not sum to totals due to rounding.

^b Includes revenue limit amounts used to support Special Education.

^c Based on 90 percent of total STRF contributions (K-12 teachers' share).

^d Includes state property tax subventions.

Within the total, the budget proposes \$15 billion in general-purpose revenue limit funding for K-12 districts and county offices of education—an increase of \$852 million, or 6 percent, over 1989-90. The state funds contribute \$10.2 billion (68 percent) of this amount, while local property taxes account for \$4.7 billion (32 percent). The remaining general education expenditures are proposed at \$3 billion—an increase of \$230 million, or 8.1 percent, over 1989-90.

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.

As Table 7 shows, the Governor's Budget estimates total expenditures of \$14.1 billion in funding for general-purpose revenue limit apportionments to school districts and county offices of education in the current year. This amount is funded through a combination of state aid (\$9.7 billion from the General Fund and \$11.9 million from the State School Fund) and local property taxes (\$4.4 billion).

The budget also proposes funding for school apportionments of \$15 billion in 1990-91—an increase of \$852 million (6 percent) over current-year levels. This amount consists of \$10.2 billion from the General Fund (an increase of \$494 million), \$11.8 million from the State School Fund, and \$4.7 billion in local property taxes.

Within the proposed \$10.2 billion in General Fund support, the budget provides funding for 3.5 percent enrollment growth (\$476 million) and a 3.0 percent COLA (\$441 million). Partially offsetting this \$917 million in increases is \$423 million in decreases, including:

- \$358 million due to anticipated local property tax growth,
- \$6 million due to elimination of a one-time “declining enrollment adjustment” provided in the current year,
- \$10.7 million due to statutorily required changes in funding rates for adults enrolled in K-12 independent study programs, and
- \$44 million due to other changes proposed by the administration in funding for (1) adult independent study and (2) K-12 students concurrently enrolled in adult education classes.

No Funding for Students Who Skip Classes

Under current administrative practice, the SDE allows school districts to receive a full school day’s apportionment for a student who leaves school prior to completing the minimum school day (generally four hours) without an authorized excuse, if the student (1) was *enrolled* for at least a minimum days’ worth of classes and (2) was under the supervision of a district employee for *any* time period prior to leaving school. Thus, a school district may receive a full day’s apportionment for a student who shows up long enough to have his or her attendance noted, but then skips classes for the remainder of the day.

The Governor proposes Budget Bill language (provision 17 of Item 6110-101-001) which would prohibit this practice. In effect, the language would require that, in order to receive a full day’s apportionment, a district must ensure that a student actually attends classes for at least the minimum day—or has a valid excuse for not doing so.

Based on an opinion issued by Legislative Counsel in 1979 (No. 451), our review indicates that the proposed language is merely a restatement and clarification of existing law. (We have requested an updated opinion from Legislative Counsel, to ensure that his earlier conclusion continues to hold.) Moreover, we can find no public policy interest that would be served through continuing the SDE’s existing practice of allowing districts to receive funding for students who are not present in class. In fact, by giving districts little incentive to ensure that students actually do attend school, such a policy would appear to contribute indirectly to the state’s dropout problem. For both of these reasons, therefore, we find that the proposed Budget Bill language is reasonable and appropriate, and we recommend that it be approved.

DEPARTMENT OF EDUCATION—Continued**Adult Education Concurrent Enrollment**

We find that the budget proposes to fund K-12 students who are concurrently enrolled in adult education at the adult revenue limit rate and, consistent with this action, reduces funding for K-12 school apportionments by \$30 million.

Under current law, pupils enrolled in high school may enroll in adult education courses. Because current law allows districts to count attendance of these pupils twice (once for attending high school and once for attending adult courses), concurrently enrolled pupils may generate more units of average daily attendance (ADA) than other students. Current law further provides that the adult ADA attributable to these pupils shall be funded at the district's base revenue limit for its regular high school program, rather than the lower adult education revenue limit.

In order to generate a unit of regular high school ADA, a student must attend school for at least the minimum school day (four hours); attendance in excess of the minimum school day does not generate additional high school ADA. If this student also attends adult education classes, he/she generates additional adult education ADA (funded at the district's regular revenue limit rate) on the basis of one unit for every three hours of attendance. In contrast to the procedure for generating high school ADA, a student attending adult classes for less than three hours *does* generate partial units of ADA. Thus, under current law, if a student attends regular high school classes for at least four hours and adult classes for two hours, this student generates an amount of funding equal to 167 percent (approximately \$4,940 on average, for large unified school districts) of the district's revenue limit.

Previous Analysis Recommendation. In the 1988-89 *Analysis*, we recommended that the Legislature fund concurrently enrolled students at the adult education revenue limit rate, in order to reflect more accurately the cost of serving these students. However, because concurrently enrolled students may require some additional services (such as counseling) not normally provided to adult students, we also recommended that ADA for these students be calculated using a two-hour day, rather than the three-hour day specified in current law. Calculating ADA in this manner would have provided funding for students concurrently enrolled in two hours per day of adult classes at approximately \$4,435 (large unified average)—150 percent of the district's revenue limit—rather than at 167 percent as currently provided.

In lieu of adopting our recommendation, the Legislature directed the SDE to (1) collect cost data from school districts and (2) report these data to determine the type and cost of additional services provided to concurrently enrolled students that are not provided to other adult education students.

SDE Report. The results of SDE's report, which was submitted in December 1989, indicate that concurrently enrolled students *do* require additional services not otherwise provided to regular adult education

students. Specifically, the report estimates that the cost per unit of ADA of serving concurrently enrolled students exceeded the *adult education* revenue limit funding level by approximately \$638 in 1987-88 and \$614 in 1988-89.

The SDE results imply that an appropriate level of funding for each unit of adult education ADA generated by a concurrently enrolled student (assuming the current three hour day) would be approximately \$2,048. At this funding level, the student cited in the examples above (attending adult classes for two hours per day) would generate *total* funding equal to approximately \$4,315—146 percent of the district's regular revenue limit.

Budget Proposal. The administration proposes Budget Bill language that would allow districts to claim adult education ADA for concurrently enrolled students only to the extent that attendance in such courses is in addition to the amount of time that the district is required to offer in order to receive "longer school day" and "longer school year" incentive funds (that is, in excess of six class periods, 180 days per year). The intent of this language is to prevent a "double-funding" situation. This can occur when school districts enroll students for four hours of regular high school instruction plus two hours of additional classes (often held on the same campus and consisting predominantly of high school students) designated as "adult education," and receive funding for these additional two hours *both* through the longer day and year incentives and as adult concurrent enrollment.

The administration also proposes Budget Bill language that would provide funding for adult concurrent enrollment at the adult education revenue limit rate, rather than at the regular district revenue limit.

Consistent with these changes, the budget proposes to reduce funding for K-12 school apportionments by \$30 million. This reduction has been used to balance the overall budget for K-12 education, within the context of Proposition 98 minimum funding requirements.

Analysis. With respect to the first provision of Budget Bill language (relating to pupil attendance standards), we concur with the administration in finding no analytical basis to support the "double-funding" of workload that a district is already required to provide, in order to receive longer day and year incentive funding. We further find that the administration's proposal is a reasonable and appropriate response to this problem and, on this basis, recommend that it be approved.

With respect to the second proposal (relating to funding rates), while we generally concur with the appropriateness of reducing funding for concurrently enrolled adults to a level that is more consistent with programmatically justified funding needs, we note that data provided by the SDE indicate that a reasonable funding rate for adult education attendance of concurrently enrolled students would be approximately \$2,048 per ADA—143 percent of the *adult education* revenue limit—rather than 100 percent (\$1,434) as proposed by the Governor. (We also note that this alternative funding rate would be closer to that which we originally recommended three years ago.) In order to fund the alterna-

DEPARTMENT OF EDUCATION—Continued

tive rate, however, we estimate that the Legislature would need to augment the Governor's proposed school apportionments budget by up to \$20 million.

In other parts of this analysis, we identify savings which may be transferred to the Proposition 98 reserve (Control Section 12.31). To the extent that the level of funding in the reserve at the time of the May revision exceeds the amount the Legislature determines is appropriate, it may wish to consider using part of any excess to reject in whole or in part the administration's proposal, and augment school apportionments. (Please see our analysis of the Proposition 98 reserve for a discussion of other legislative options.)

Community Schools

We recommend that the Legislature amend proposed Budget Bill language to limit growth in specified students attending community schools to the statewide average growth rate between 1987-88 and 1988-89, rather than to the county-specific growth rates.

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 \$2,000 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). 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.

Last year, the administration proposed several pieces of Budget Bill language that would have significantly changed the funding system for community schools. Specifically, the Department of Finance (DOF), among other provisions, proposed the following:

- *Reduce revenue limit for community school pupils who are not wards of the court from approximately \$4,500 to approximately \$3,500 per student.* (We recommended that the Legislature reject this proposal, because there was no analytical basis for the \$3,500 rate.)
- *Cap the amount of ADA a county office can claim for most students enrolled in community schools at 0.25 percent of the county office's ADA.* (We recommended that the Legislature reject

this proposal, because (1) the cap was not based on workload factors and (2) revised enrollment procedures should help control unwarranted growth.)

- **Prevent county offices from spending community school apportionments on other county office programs, except administrative overhead.** (We recommended that the Legislature approve this proposal, in order to ensure that county offices did not divert funds to other programs.)

The Legislature concurred with our recommendations regarding these proposals. In addition, the 1989 Budget Act (1) established accounting mechanisms for court and community school revenues and (2) required reports from the SDE and the Auditor General on the number and status of students in these two programs.

Budget Proposal. The administration proposes a new provision in the 1990 Budget Bill that would further restrict expenditures for certain students in community school programs. If adopted, provision 9 of Item 6110-106-001 would cap the growth in enrollment of students receiving the higher court school reimbursement rate to not exceed each county office's *specific* rate of growth of such students between 1987-88 and 1988-89. According to staff at DOF, the administration selected this period of growth because it has data on actual expenditures, however, it has no estimate of the amount of savings that would result from this provision.

Analysis and Proposed Alternative. Our review indicates that, given the very high rates of enrollment growth in some county offices' community school programs, it is reasonable to impose some limitations on growth in 1990-91, pending enactment of longer-term cost control measures. (In some county offices, for example, enrollments of students referred by probation officers or SARBs have grown in excess of 100 percent a year.)

Because the actual growth rates vary so widely among counties, however, we believe that a more reasonable limitation would be based on the *statewide average* rate of growth in the number of students referred by a probation officer or SARB to community school programs. Accordingly, we recommend amendments to the last sentence of provision 9 of Item 6110-106-001 as follows:

For purposes of apportionment, the growth rate of pupils enrolled in county community schools with each county pursuant to subdivision (c) of Section 1981 of the Education Code shall not be greater than the *statewide average* rate of growth in that same county between 1987-88 and 1988-89.

Legislative Oversight: Report on Continuation High Schools Delayed

The 1989 Budget Act appropriated \$25,000 to the SDE to complete a study on improving the effectiveness of continuation high schools, originally required by the *Supplemental Report of the 1987 Budget Act*. Specifically, the supplemental report directed the department to study, through both case studies and statistical analysis, the influence of instructional materials on the effectiveness of continuation high schools.

DEPARTMENT OF EDUCATION—Continued

The SDE informs us that the quantitative section of the report (Phase I), which has been largely completed, consists of statistical analyses of the state population of 441 continuation high schools in 1985-86. Based on these analyses, the department selected certain indicators of effectiveness and used these to identify a group of 54 "more effective" schools for case studies. The qualitative section of the report (Phase II), which is currently under way, will include case studies on 10 of the 54 "more effective" schools. The case studies will focus on two questions:

- What instructional curricula, techniques, and materials have contributed to the effectiveness of these continuation high schools?
- How have these continuation high schools *maintained* their effectiveness?

The department indicates that the report will be submitted to the Legislature by July 1, 1990. We will review the report when it is submitted and make comments and recommendations as appropriate.

2. Adult Independent Study (Item 6110-101-001)

We find that (1) the budget proposes, two years ahead of schedule, to reduce funding for adults enrolled in K-12 independent study programs from the K-12 revenue limit of a district to the statewide average revenue limit for adult education, and (2) consistent with this action, the budget reduces funding for school apportionments by \$14 million.

Last year, the administration proposed Budget Bill language which would have effectively prevented some school districts from offering adult independent study programs through K-12 programs. Districts following this practice (1) receive approximately \$1,400 (on average) more in per-pupil funding than the amount they would receive if these students were enrolled in an adult education program and (2) circumvent the statutory caps on the number of adult students served.

In the *Analysis of the 1989-90 Budget Bill*, we concurred with the appropriateness of the administration's proposal, but we noted that the Governor's Budget did not take account of significant state savings that would result from its adoption. Accordingly, we recommended that the Legislature reduce funding from K-12 school apportionments (which had been claimed for adults in independent study) and augment funding for adult education programs, in order to ensure an overall level of adult education services statewide that would be at least the same as the amount provided in 1988-89.

While the Legislature chose not to adopt our specific recommendation, it did adopt Budget Act language (provision 16, Item 6110-101-001) "freezing" at 1989-90 levels the number of adults for which independent study funding could be claimed. In addition, the Budget Act language:

- Required school districts claiming K-12 school apportionment funding for independent study to report to SDE, by November 1, 1989, on the number of units of ADA earned by adults in independent study and required the Auditor General to audit these figures, and specified penalties for inaccurate reporting.

- Required the Superintendent of Public Instruction (SPI) to report to the Legislature, by February 15, 1990, on the number of units of ADA claimed for independent study in 1988-89 and 1989-90, by specified age ranges and other categories.
- Required the SPI to notify each school district that the Legislature and the Governor intend to enact program and fiscal reforms concerning independent study.

The Legislature also enacted Ch 1089/89 (SB 1563, Hart) which expanded upon and reinforced these provisions of Budget Act language. Specifically, Chapter 1089 appropriated \$50,000 for the Legislative Analyst to contract for a study on the most appropriate means of offering adult independent study. (We recently issued a Request for Proposals to conduct this study, which is scheduled to be completed by October 30, 1990.) Chapter 1089 also provided for the funding rate for adults in independent study to be incrementally reduced, over a *three-year* period beginning in 1990-91, to the statewide average revenue limit for adult education. Thus, this measure requires that the funding rate for adults in independent study be reduced to 166 percent of the statewide average revenue limit in the budget year.

Budget Proposal. The Governor's Budget proposes to immediately reduce funding for adults in independent study to *100 percent* of the statewide average adult education revenue limit—two years ahead of the schedule specified in Chapter 1089. Consistent with this action, the budget reduces funding for K-12 apportionments by \$14 million, compared to the level that would otherwise have been required under current law. This reduction has been used to balance the overall budget for K-12 education, within the context of Proposition 98 funding requirements.

Analysis. As noted, we find that the budget proposal prematurely reduces funding for adult independent study programs, compared to the timetable approved by the Governor and the Legislature in Chapter 1089. In other parts of this analysis, we identify savings which may be transferred to the Proposition 98 reserve (Control Section 12.31). To the extent that the level of funding in the reserve at the time of the May revision exceeds the amount which the Legislature determines is appropriate, it may wish to consider using part of any excess to reject the administration's proposal, and augment funding for school apportionments by \$14 million. (Please see our analysis of the Proposition 98 reserve for a discussion of other legislative options.)

Technical Amendments Needed

We recommend that the Legislature amend the Budget Bill to limit restrictions on adult enrollments only to independent study programs, as specified in current law.

Provision 13, Item 6110-101-001 in the 1990 Budget Bill limits the amount of average daily attendance (ADA) of pupils 19 years or older which may be claimed by school districts in 1990-91 to the same level claimed in 1988-89. Our review indicates that the language merely

DEPARTMENT OF EDUCATION—Continued

repeats an identical provision in the 1989 Budget Act, and does not take into account subsequent revisions approved by the Legislature in Ch 1395/89 (AB 751, Hughes) and Ch 1089/89 (SB 1563, Hart). These measures provide that the cap applies only to adults in independent study, and not to 19- and 20-year old adults who have been continuously enrolled in school, however, the proposed Budget Bill language could be interpreted as superseding these recent legislative actions.

In order to avoid this outcome, we recommend that the Legislature amend the proposed Budget Bill language to specify that the limit applies only to adults 19 years or older in independent study. Specifically, we recommend the following amendments to provision 13, Item 6110-101-001:

No school district may receive apportionments from this item for pupils 19 years or older *in K-12 independent study programs for average daily attendance* in excess of the number of units of average daily attendance generated by pupils 19 or older in the 1988-89 fiscal year. *This limitation shall not apply to pupils who have been continuously enrolled in a K-12 program since their eighteenth birthday.*

3. Proposition 98

Proposition 98, the "Classroom Instructional Improvement and Accountability Act of 1988," provides K-12 schools and community colleges with a constitutionally guaranteed minimum level of funding in 1988-89 and thereafter. Specifically, the measure provides that K-14 education shall receive the *greater* of its:

- 1986-87 percentage of the General Fund—about 41 percent (the "percent of General Fund revenues" test), or
- Prior-year funding level, adjusted for enrollment growth and inflation (the "maintenance of prior-year service levels" test).

In 1990-91, the Governor's Budget estimates that the budget for K-14 education will be based on the "percent of General Fund revenues" test, as this calculation provides the higher level of funding. In contrast, the budget estimates that the level of funding required in the *current year* will be based on the "maintenance of prior-year service levels" test.

The budget estimates that a total of \$17.1 billion in General Fund revenues must be appropriated for K-14 education in 1990-91, and \$15.8 billion in 1989-90, in order to comply with the minimum funding level requirements of Proposition 98. Of these amounts, \$15.3 billion (90 percent) is proposed for K-12 education in 1990-91, and \$14.2 billion in 1989-90. (As discussed in our analysis of Control Section 12.31—the Proposition 98 reserve—these estimates will continue to change, in response to changes in (1) enrollments, (2) state General Fund revenues, and (3) school district property tax collections.)

Revenues in Excess of Appropriations Limit. Proposition 98 also requires that all or part of any General Fund revenues in excess of the state's appropriations limit (up to an amount equal to 4 percent of the required minimum funding level) be allocated to public schools and

community colleges until such time as the state meets or exceeds specified goals in (1) per-pupil expenditures and (2) average class sizes. This allocation of so-called "excess revenues" would be in *addition* to any state appropriation required to maintain the minimum funding level. The excess revenues also would be added to the minimum funding level and "rolled into the base" for the subsequent year.

The Governor's Budget estimates that the state will be under its appropriations limit by \$143 million in 1990-91, and by \$652 million in the current year; accordingly, the budget assumes that K-14 education will receive no additional funding from this "excess revenue" provision of Proposition 98 in either year. If enacted by the voters at the June 1990 election, SCA 1 (Garamendi) will reduce the likelihood of an excess revenue allocation in 1990-91. (Among other provisions, this measure would revise the population and inflation adjustments to the state's appropriations limit, resulting in approximately an \$800 million increase in the amount of the limit in 1990-91 using the budget's economic assumptions.)

Unspent Funding Available from 1988-89

We recommend the enactment of urgency legislation to appropriate an estimated \$18.2 million in unspent K-12 appropriations from 1988-89, in order to allow the Legislature to allocate these funds according to its priorities among K-12 programs, rather than on a per-ADA basis.

The Governor's Budget (Schedule 1) indicates that \$23,677,000 appropriated for specific education programs in 1988-89, and counting towards meeting Proposition 98 minimum funding requirements, will not be spent. Of this amount, \$18,210,000 was originally appropriated for K-12 education, and \$5,467,000 was appropriated for the community colleges.

Under current law (Chapters 82 and 83, Statutes of 1989 — SB 98, Hart and AB 198, O'Connell), the Superintendent of Public Instruction and the Director of Finance are required to jointly certify, by March 31, 1990, the remaining amount owed to K-12 education (including unspent appropriations) for 1988-89.

Current law further provides that this amount shall be set aside by the Controller and, if not appropriated to school districts by the Legislature within 90 days, the Controller shall allocate these funds to school districts on an equal per-ADA basis. Thus, in order to avoid this allocation by the Controller, the Legislature must appropriate these funds to school districts during the 1989-90 fiscal year, prior to the end of the 90-day period.

In order to allow the Legislature to spend these funds according to its priorities among K-12 programs (rather than on a per-ADA basis), we recommend the enactment of urgency legislation to reappropriate the unspent 1988-89 appropriations for specific K-12 education purposes.

Proposition 98 Reserve—Control Section 12.31

We recommend that the Legislature determine an appropriate level for the K-12 education Proposition 98 reserve following the May

DEPARTMENT OF EDUCATION—Continued

revision, based on the amount needed in order to insure against potential declines in the overall level of the Proposition 98 minimum funding guarantee. We further recommend that, at that time, the Legislature appropriate the balance of the reserve (in excess of this amount) for designated, high-priority purposes.

In compliance with the requirements of Proposition 98, the Governor's Budget proposes a total of approximately \$15.3 billion in General Fund appropriations for K-12 education programs which count towards meeting Proposition 98 minimum funding requirements—an increase of \$1.1 billion (8 percent) over estimated current-year funding levels. Of this amount, \$210 million is appropriated as a Proposition 98 reserve for K-12 education in Control Section 12.31. (The Control Section 12.31 reserve also contains an additional \$10 million for community colleges.)

Why a Reserve Is Needed. Our analysis indicates that the K-12 portion of the Proposition 98 reserve is intended to serve two purposes:

First, to help ensure that the *subsequent appropriation* of funding for any deficiencies in K-12 education programs would not cause the state to exceed the Proposition 98 minimum funding requirements, and

Second, to help ensure that any subsequent decline in the level of the Proposition 98 guarantee (due, for example, to changes in the state's total General Fund revenues and/or school districts' local property tax revenues) would not cause the guarantee to fall below the level of K-12 funding *already appropriated* in the Budget Act. (In order to avoid this possibility, the Legislature would initially appropriate for specific programs an amount that is *less* than the Proposition 98 guarantee, and "make up the difference" with a subsequent appropriation from the Proposition 98 reserve, before the end of the budget year.)

While both purposes assume that the goal of the Legislature and the administration is to avoid appropriating funds in excess of the Proposition 98-required minimum, the first purpose primarily protects the interests of school districts. This is because the Legislature always has the option of simply choosing not to provide funding for any deficiencies that would cause the state to exceed the Proposition 98 guarantee.

The second purpose, in contrast, primarily protects the *state's* interest. This is because (1) factors that would cause the overall level of the Proposition 98 guarantee to change are largely outside of the Legislature's control and (2) appropriations for K-12 education, once made, tend to be very difficult to "undo."

For these reasons, we believe that—if the Legislature intends to ensure that appropriations for K-12 education do not exceed the Proposition 98 minimum guarantee—it should determine the level of the Proposition 98 reserve based *primarily* on (1) the likelihood of various degrees of downward adjustment in the level of the Proposition 98 guarantee and (2) a balancing of its willingness to tolerate "risk" (that is, the possibility that the state could end up appropriating more for schools than the minimum guarantee) against the desirability of using available Proposition 98 funds to support high-priority education programs.

Why the Legislature Should Delay a Final Decision Until May.

While the latter consideration reflects a value judgment that only the Legislature can make, the former depends upon various quantifiable factors—most of which will not be reasonably well known until the time of the May revision. These include (1) the amount of the “gap” between the two alternative calculations of the Proposition 98 minimum guarantee (the “percent of General Fund revenues” test versus the “maintenance of prior-year service levels” test) and (2) the margin of error in revenue projections for both the state General Fund and local property taxes.

In order to ensure that the level of the Proposition 98 reserve is neither “too large” nor “too small,” therefore, we recommend that the Legislature postpone action on this item until the time of the May revision. At that time, we will be better able to advise the Legislature regarding its options and the associated risks.

High-Priority Programs. We further recommend that, in deciding how to spend any available Proposition 98-related funds in excess of the desired reserve, the Legislature give consideration to the following K-12 education purposes:

- ***Fully funding program maintenance requirements.*** Included in this category would be providing (1) statutory and discretionary COLAs at the same level as that statutorily required for school district revenue limits (\$393 million above Governor’s Budget) and (2) continuing any funding provided from the remaining Proposition 98 reserve in the current year for class size reduction and other ongoing legislative initiatives.
- ***Class size reduction.*** As discussed later in this analysis, the budget proposes \$110 million for the first year of an eight-year program, authorized by Ch 1147/89 (SB 666, Morgan) to reduce class sizes in selected grades. In the current year, the Legislature expressed its intent that funding be provided for this purpose only after fully funding program maintenance requirements. The Legislature will need to decide where this proposal fits within its overall priorities for use of Proposition 98 funds in 1990-91.
- ***Deferred maintenance.*** The traditional funding source for state deferred maintenance aid (school district “excess repayments” on state building loans) continues to dwindle. Even with a \$23 million General Fund augmentation proposed in the budget, the overall funding level will be insufficient (by about \$70 million) to meet estimated requests for the basic state apportionment, 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.

DEPARTMENT OF EDUCATION—Continued

- **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 \$11.2 million.
- **Subsidize 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 \$1,900 per teacher trained through this alternative method; state costs would be subject to legislative appropriation and would depend upon (1) the state:local cost sharing ratio and (2) total number of teachers trained.

4. Lottery Revenues (Items 6110-006-814 and 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 8 shows the estimated distribution of lottery revenues for public education as displayed in the Governor's Budget. The amount estimated for K-12 education—\$835 million—is basically an extension of the current-year allocation and amounts to \$161 per unit of K-12 ADA. We review lottery expenditures in our analysis of each separate segment, as appropriate.

Table 8
Distribution of Lottery Revenues
1988-89 through 1990-91
(dollars in thousands)

<i>Segment</i>	<i>Actual</i> <i>1988-89</i>	<i>Est.</i> <i>1989-90</i>	<i>Est.</i> <i>1990-91</i>	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
K-12 Education.....	\$834,288	\$834,861	\$834,861	—	—
Community colleges	126,941	127,051	127,051	—	—
California State University.....	46,194	46,234	46,234	—	—
University of California	25,984	26,006	26,006	—	—
California Youth Authority	603	1,156	1,201	\$45	3.9%
Hastings College of the Law.....	236	236	236	—	—
California Maritime Academy	71	71	71	—	—
Department of Developmental Services....	—	1,108	907	-201	-18.1
State special schools.....	—	148	148	—	—
Totals.....	\$1,034,317	\$1,036,871	\$1,036,715	-\$156	— ^a
Lottery revenues per K-12 ADA (actual dollars).....	\$171	\$166	\$161	-\$5	-3.0%

^a 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

Chapter 100, Statutes of 1981 (AB 777, L. Greene), also known as the School-Based Program Coordination Act, authorizes 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:

- The School Improvement Program;
- Economic Impact Aid;
- Gifted and Talented Education;
- The 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.

DEPARTMENT OF EDUCATION—Continued

The act further requires the Legislative Analyst to report annually in the *Analysis of the Budget Bill* regarding its implementation.

Report on Implementation. The SDE indicates that during the current year, almost *half* the schools in the state have established school-based coordinated programs. Specifically, 3,428 schools (47 percent of the state's 7,237 schools) are using the provisions of Chapter 100—an increase of 33 percent over the previous year. This participation rate reflects a dramatic upward trend since 1986-87, when only 175 schools participated.

This substantial participation increase is due to three factors.

First, the June 30, 1987 "sunset" of the School Improvement Program (SIP) terminated the ability of SIP-participating schools to receive full ADA reimbursement for a maximum of eight staff development days. Schools operating school-based coordinated programs maintain this authority and, as a result, many of the SIP schools have begun such programs—although in many cases SIP is the only categorical program involved.

Second, many schools have established school-based coordinated programs because of increased flexibility under federal law. Specifically, recent amendments to Chapter 1 of the Education Consolidation and Improvement Act authorized certain schools—beginning in 1988-89—to coordinate federal Chapter 1 programs with state programs. Because Chapter 1 funding constitutes a very large part of many schools' categorical budgets, the inability prior to 1988-89 to coordinate Chapter 1 with state programs made establishing a school-based coordinated program less worthwhile. The action of the federal government has now rectified this situation.

Finally, the increased rate of formal coordination pursuant to Chapter 100 is due, in part, to expanded efforts on the part of SDE to (1) educate local administrators on the advantages of school-based coordinated programs and (2) clarify program requirements.

In our analysis of the supplemental grants program (Item 6110-108-001), we discuss some of the advantages and disadvantages of school-based program coordination, and compare it with other approaches for providing schools and school districts with greater flexibility in the expenditure of categorical aid.

1. Programs Relating to Classroom Instruction

Table 9 summarizes local assistance funding from the General Fund and state special funds for programs relating to classroom instruction.

In total, the budget requests \$580 million for the classroom instruction budget programs in 1990-91—an increase of \$187 million (48 percent) above estimated current-year expenditures. This amount includes \$110 million to implement a program to reduce class size, authorized by Ch 1147/89 (SB 666, Morgan) and \$77 million in other "increases."

The \$77 million apparent increase is somewhat misleading, however, in that it does not accurately reflect the level of funding actually received by school districts in 1989-90. Specifically, SB 98 (Ch 82/89, Hart), AB 198

(Ch 83/89, O'Connell), and Ch 92/89 (AB 1087, Hughes) appropriated a total of \$914 million in additional funding to K-12 schools and community colleges, of which \$431 million was counted as a 1988-89 appropriation, in order to comply with the requirements of Proposition 98. Of the \$431 million, \$34 million was provided to expand the School Improvement Program and \$14 million was provided to fund the Educational Technology Program. Because the first two of these measures were not chaptered until June 30, 1989, local education agencies received the *entire* amount of these funds in 1989-90.

If the figures shown in the table were adjusted to reflect the timing of school districts' actual receipt of these funds, the \$77 million proposed increase for 1990-91 would be only \$29 million (6.5 percent). This amount primarily reflects funding for COLAs (\$12.9 million) and program growth (\$16.5 million).

Table 9
K-12 Education
Support for Programs Relating to Classroom Instruction
Local Assistance
1988-89 through 1990-91
(dollars in thousands)

<i>Programs</i>	<i>Actual</i> <i>1988-89</i>	<i>Est.</i> <i>1989-90</i>	<i>Prop.</i> <i>1990-91</i>	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
School Improvement Program.....	\$285,081	\$259,602	\$314,517	\$54,915	21.2%
Instructional materials.....	112,478	120,329	128,579	8,250	6.9
Class size reduction.....	—	— ^a	110,000	110,000	— ^b
High school pupil counseling.....	7,223	7,445	7,639	194	2.6
Demonstration programs in reading and math.....	4,367	4,570	4,570	—	—
Environmental education.....	604	765	515	-250	-32.7
Intergenerational education.....	165	173	173	—	—
Educational Technology Program.....	26,287	—	13,570	13,570	— ^b
Interactive instructional technology.....	1,000	—	—	—	—
Institute of Computer Technology.....	338	338	338	—	—
Totals.....	\$437,543	\$393,222	\$579,901	\$186,679	47.5%
Funding Sources					
<i>General Fund</i>	<i>\$436,939</i>	<i>\$392,457</i>	<i>\$579,386</i>	<i>\$186,929</i>	<i>47.6%</i>
<i>Environmental License Plate Fund</i>	<i>604</i>	<i>765</i>	<i>515</i>	<i>-250</i>	<i>-32.7</i>

^a Figure assumes no funding will be available in the Proposition 98 reserve—after the funding of deficiencies—for class size reduction pursuant to SB 98 (Ch 82/89, Hart) and Ch 1147/89 (SB 666, Morgan).

^b Not a meaningful figure.

We recommend approval of the proposed funding shown in Table 9 for the following programs relating to classroom instruction which are not discussed elsewhere in this analysis:

- **School Improvement Program (Item 6110-116-001)**—\$314.5 million from the General Fund for the School Improvement Program (SIP). This amount includes (1) \$263.2 million for grades K-6 and (2) \$51.3 million for grades 7-12. The budget proposes (1) \$11.8 million for

DEPARTMENT OF EDUCATION—Continued

program growth based on the expected rate of enrollment growth in grades K-6 (4.3 percent) and 7-12 (2.5 percent), and (2) \$9.2 million to provide a 3.0 percent COLA.

- **Instructional materials (Items 6110-186-001, 6110-187-001, and 6110-015-001)**—\$128.9 million from the General Fund for instructional materials local assistance, warehousing, and distribution. This amount includes (1) \$102.6 million for grades K-8 local assistance, (2) \$26.0 million for grades 9-12 local assistance, and (3) \$327,000 for state warehousing and shipping (not shown in Table 9). It represents an increase of \$8.3 million (6.9 percent) above the current-year level, consisting of (1) \$4.5 million for enrollment growth and (2) \$3.8 million to provide a 3.0 percent COLA.
- **High school pupil counseling (Item 6110-109-001)**—\$7.6 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 amount reflects an increase of \$194,000 (2.6 percent) to adjust for expected enrollment growth in grade 10.
- **Environmental Education (Item 6110-181-140)**—\$515,000 from the Environmental License Plate 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 proposed amount reflects a decrease of \$250,000 due to one-time funding in the current year for the "Environmental Education Project."
- **Intergenerational education (Item 6110-128-001)**—\$173,000 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.
- **Educational Technology Program (Item 6110-181-001)**—\$13.6 million from the General Fund to support grants to schools to fund the use of technology in the classroom, including the acquisition of computer hardware and software. The budget proposal represents a continuation of the current-year funding level (as adjusted to reflect the timing of districts' receipt of funds appropriated in SB 98 (Ch 82/89, Hart)).
- **Institute of Computer Technology (Item 6110-180-001)**—\$338,000 from the General Fund to support the Institute, which provides education and training in computer technology for pupils in grades K-12 and for adults. The proposed amount reflects a continuation of the current-year funding level.

Class Size Reduction (Item 6110-107-001)

We recommend that the Legislature delete the \$110 million proposed for class size reduction and instead transfer these funds 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 the first year of a class size reduction program, pursuant to the provisions of Ch 1147/89 (SB 666, Morgan). Chapter 1147 consists of two programs, to be phased in over an eight-year period: (1) a program to reduce class size in grades 9 to 12 and (2) a language arts enrichment program in grades 1 to 3.

Under the program to reduce class size in grades 9 to 12, school districts may apply for an apportionment of \$250 per student in each participating grade level, if the district maintains an average class size of 20 pupils in any two of the following areas: English, mathematics, social studies, or science. A district may receive \$125 per student if it reduces class size to a level which is a 50 percent reduction toward the goal of an average 20 students per class, and may receive the full apportionment in future years if it reaches the goal of 20 students per class.

Under the language arts enrichment program, districts may receive up to \$30 per student in grades 1 to 3 to increase "direct individual instruction in language arts" to students. Language arts, for the purposes of this program, include reading, writing, spelling, speaking, and listening.

This measure further declares legislative intent to appropriate up to \$110 million for its purposes in 1989-90 from the Proposition 98 reserve (originally budgeted at \$230 million), if available *after* (1) adjusting the size of the reserve for any changes in the amount owed to K-14 education pursuant to Proposition 98 and (2) funding deficiency allocations for grades K-12. (The Governor's Budget does not assume that any funds will be appropriated for class size reduction in the current year; however, the final availability of such funding will not be known until the May revision.)

Budget Proposal May Conflict With Legislative Priorities. We find that because the Governor's Budget effectively provides funding for class size reduction at the expense of fully funding statutory COLAS—contrary to the Legislature's intent in the *current* year that funding for class size reduction be provided only after fully funding the K-12 "base" (workload and COLAs)—the proposal may conflict with legislative priorities.

In enacting Chapter 1147, the Legislature clearly intended that funding for class size reduction be appropriated in the current year only to the extent that additional funds were available in the Proposition 98 reserve, after fully funding the K-12 "base." At the time this analysis was written, the Governor's Budget estimates that, due to decreases in General Fund revenues, the remaining amount owed to K-14 education in 1989-90 through the Proposition 98 reserve has decreased from \$230 million to \$106 million. Further, because the anticipated level of 1989-90 K-12 deficiencies is not known, it is unclear what amount—if any—of this \$106 million would be available to implement class size reduction in 1989-90.

In the budget year, however, the Governor proposes that funding for class size reduction effectively come at the expense of funding statutory COLAs. This is because there are insufficient funds within the overall Proposition 98 guarantee to (1) fully fund existing K-12 education programs, including statutory workload and COLAs, (2) rebuild the

DEPARTMENT OF EDUCATION—Continued

Proposition 98 reserve, and (3) provide \$110 million for class size reduction pursuant to Chapter 1147. In order to fund class size reduction (and provide \$210 million for the K-12 Proposition 98 reserve), the Governor proposes to provide K-12 COLAs of 3.0 percent, in lieu of the statutorily-required 4.95 percent. Given the Legislature's intent that funding for class size reduction be provided in the current year only after fully funding the K-12 "base," this proposal appears to conflict with current legislative priorities.

Recommendation. In order to ensure that limited funds for support of K-12 education are used according to legislative priorities, we recommend that the \$110 million proposed for class size reduction be transferred to the Proposition 98 reserve specified in Control Section 12.31. Once funding needs for K-12 education are more accurately known (at the time of the May revision), the Legislature can appropriate these funds for increasing funding for K-12 education COLAs, or for other K-12 education expenditures (which could include class size reductions), based on the Legislature's priorities for use of these funds. (Please see our analysis of the Proposition 98 reserve—Control Section 12.31—for a discussion of options for the use of Proposition 98 funds.)

Demonstration Programs in Reading and Mathematics (Item 6110-146-001)***We recommend approval.***

Demonstration programs in reading and mathematics, established by the Legislature in 1966, are intended to provide cost-effective, exemplary reading and math programs in grades 7 through 9, using innovative instructional techniques which can be replicated by other districts. Currently, the state provides funding for 69 demonstration programs.

Under current law, the statutes and regulations governing the demonstration programs are scheduled to sunset on June 30, 1990. In the event that the programs are not reauthorized, current law specifies that funding shall still be provided for the general purposes of these programs.

The Governor's Budget proposes \$4.6 million for the demonstration programs, which reflects a continuation of the current-year level of funding.

Legislative Oversight: SDE Policy Consistent with Legislative Intent

Under current law, SDE is required to terminate funding to those demonstration programs that are the least cost-effective, and to use the savings to establish new programs. This policy, however, has never been enforced. (Although the Legislature has for the last several years adopted Budget Bill language requiring a gradual reduction in funding to all programs that have been in operation for more than four years, the language does not address the issue of totally *eliminating* funding to the least effective programs—as provided for in statute.)

In a report to the Legislature dated December 1, 1989, the department announced that it would stop allocating funding to those programs found least effective. The report also outlined an evaluation methodology for identifying these programs, which is based on a combination of school test

scores from the California Assessment Program (CAP) and the department's "quality criteria" for middle schools.

Our review of the department's proposed methodology indicates that it is a reasonable approach for identifying ineffective programs. And, while we have raised concerns in the past with some aspects of the department's evaluation process, we believe that SDE deserves to be commended for its specific efforts regarding the demonstration programs. We are particularly impressed by the willingness of the department in this instance to recommend the discontinuation of funding for programs that are unable to achieve clear standards of effectiveness, and would encourage the department to build on this approach as a model for evaluating other educational programs.

Because the department's proposed plan for funding and evaluating the demonstration programs appears consistent with the Legislature's intent—as expressed in statute—we recommend that funding for the programs be approved as budgeted.

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 10. 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 10 shows, the budget proposes approximately \$106 million from the General Fund, an increase of 36 percent. This apparent increase is somewhat misleading, however, in that it does not accurately reflect the level of staff development funds actually received by school districts in 1989-90. Specifically, as mentioned, SB 98 (Ch 82/89, Hart), AB 198 (Ch 83/89, O'Connell) and Ch 92/89 (AB 1087, Hughes) appropriated a total of \$914 million in additional funding to K-14 schools and community colleges, of which \$431 million was counted as a 1988-89 appropriation, in order to comply with requirements of Proposition 98. Of the \$431 million, \$21.3 million was provided to fund the Professional Development Program and to expand the New Teacher Project. Because the first two of these measures were not chaptered before June 30, 1989, however, local education agencies received the *entire* amount of these funds in 1989-90.

If the figures shown in the table were adjusted to reflect the timing of school districts' actual receipt of staff development funds, the proposed increase for 1990-91 would be \$6.7 million (6.7 percent). This increase, in turn, reflects funding for program growth (3.7 percent) and COLA (3.0 percent).

DEPARTMENT OF EDUCATION—Continued

Table 10

K-12 Education
Support for Programs Relating to Teaching and Administration^a
Local Assistance
1988-89 through 1990-91
(dollars in thousands)

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90	
				Amount	Percent
General Fund:					
Mentor Teacher Program	\$63,595	\$67,078	\$71,557	\$4,479	6.7%
Professional Development Program	20,000	— ^b	21,335	21,335	— ^c
Administrator Training and Evaluation Program	5,157	5,025	5,360	335	6.7
New Teacher Project	3,018	1,798 ^d	3,305	1,507	83.8
Teaching improvement programs	1,292	1,185	1,264	79	6.7
Bilingual Teacher Training Program	842	881	939	58	6.6
Regional Science Resource Center	—	523	558	35	6.7
California International Studies Project ..	880	921	983	62	6.7
Geography education	—	100	107	7	7.0
Reader service for blind teachers	235	183	242 ^e	59	32.2
Subtotals, General Fund	(\$95,019)	(\$77,694)	(\$105,650)	(\$27,956)	(36.0%)
Federal funds:					
Math and science teacher training grant .	<u>\$7,314</u>	<u>\$8,522</u>	<u>\$7,294</u>	<u>—\$1,228</u>	<u>—14.4%</u>
Totals	<u>\$102,333</u>	<u>\$86,216</u>	<u>\$112,944</u>	<u>\$26,728</u>	<u>31.0%</u>

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

^b Excludes \$20 million appropriated for the prior year by SB 98 (Ch 82/89, Hart) but available in 1989-90.

^c Not a meaningful figure.

^d Excludes \$1.3 million appropriated for the prior year by SB 98 (Ch 82/89, Hart) but available in 1989-90.

^e Budget proposes growth to restore program to prior-year level, plus COLA.

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

- *Mentor Teacher Program (Item 6110-191-001 (b))*—\$71.6 million.
- *Bilingual Teacher Training Program (Item 6110-191-001 (c))*—\$939,000.
- *Regional Science Resource Center (Item 6110-191-001 (h))*—\$558,000.
- *California International Studies Project (Item 6110-191-001 (d))*—\$983,000.
- *Geography education (Item 6110-191-001 (i))*—\$107,000.
- *Reader service for blind teachers (Item 6110-191-001 (f))*—\$242,000.
- *Math and science teacher training grant (Item 6110-128-890)* —\$7.3 million.

With the exception of the math and science teacher training grant (which is expected to decrease in 1990-91), all these programs would receive funding for growth and COLA.

Professional Development Program (Item 6110-191-001(j))***We recommend approval.***

The Professional Development Program, established by Ch 1362/88 (SB 1882, Morgan), involves a major new system of providing staff development that is linked to school improvement objectives and curriculum development. The Legislature appropriated \$20 million from 1988-89 Proposition 98 funds to support this program in 1989-90.

Chapter 1362 requires the Legislative Analyst to report annually (for three years) on the implementation of the Professional Development Program. The following report is prepared in compliance with the requirements of this measure.

Report on Implementation. There are three basic components of the program: (1) school and staff development plans, (2) regional resource agencies, and (3) subject matter projects.

- ***School and Staff Development Plans.*** Chapter 1362 authorizes funding for selected schools to develop and implement (1) a "school development" plan for making organizational and instructional improvement in the school and (2) a "professional development" plan for staff training that is linked to the school's improvement goals. Of the \$20 million available, SDE has allocated \$12 million for this purpose. SDE has determined that funding will be provided exclusively to high schools, which—unlike most elementary and junior high schools—do not already receive significant amounts of funding under the School Improvement Program (which may also be used to support staff development activities). The SDE is currently soliciting applications from districts with eligible high schools that are interested in participating, and expects to fund approximately 250 schools beginning in March 1990.
- ***Regional Resource Agencies.*** Chapter 1362 authorizes SDE to create and maintain resource agencies to (1) assist in the development and implementation of school plans, (2) coordinate staff development activities, and (3) provide staff development, as necessary. The department has allocated \$3 million for funding from six to 15 such agencies, and—at the time this analysis was written—was in the process of soliciting applications from interested local education agencies and nonprofit organizations.
- ***Subject Matter Projects.*** Chapter 1362 authorizes the University of California (UC) to create and expand projects in specific subject matter areas to develop and disseminate research on effective teaching practices and to promote cooperative endeavors. In the current year, \$5 million has been allocated for this purpose. With these funds, UC is planning to (1) expand three of its existing subject matter projects (in writing, mathematics, and science), (2) administer and expand three other projects (in literature, art, and foreign language) that are currently administered by SDE, and (3) commence planning a project in history and social sciences.

Based on this review, we find both SDE's and UC's administration of the program to be consistent with the provisions and intent of Chapter 1362.

DEPARTMENT OF EDUCATION—Continued

For purposes of reporting on the implementation of the Professional Development Program, Chapter 1362 requires the Legislative Analyst to obtain input from local school districts and universities. At the time this analysis was written, however, none of the components of the program were yet in place, and it was therefore premature to discuss and review the operations of this program with local personnel. When the program becomes operational, we will review the program in more detail, and will provide the Legislature with our comments and recommendations, as appropriate.

New Teacher Project and Teaching Improvement Program (Items 6110-191-001(g) and (e))

We recommend that the Legislature delete \$153,000 requested from the General Fund for a population growth adjustment for the (1) New Teacher Project and (2) teaching improvement programs, because these programs are intended to be pilot programs of limited scope. (Reduce Items 6110-191-001 (e) and (g) by \$42,000 and \$111,000 respectively and adopt specified Budget Bill language; amend Control Section 12.31 to provide for a \$153,000 increase in the Proposition 98 reserve.)

The state funds a number of pilot programs that are intended to develop innovative models of teacher training and support. The New Teacher Project, for instance, provides a limited number of grants to school districts to develop exemplary models for assisting new teachers. The state also funds a number of "teaching improvement programs" to pilot test (1) support models for teachers in low-performing schools and (2) "field-based" models of teacher preparation.

The Governor's Budget proposes \$4.6 million for these programs (\$3.3 million for the New Teacher Project, and \$1.3 million for teaching improvement programs). The proposed amount reflects an increase of \$286,000 (or 6.7 percent) over the current-year level of expenditures, as adjusted for the additional funding provided by SB 98 (Ch 82/89, Hart). This amount consists of (1) \$153,000 for a 3.7 percent "population growth" adjustment (based on the general rate of enrollment growth in grades K-12) and (2) \$133,000 for COLAs.

Population Growth Adjustment Unwarranted. According to the Department of Finance, the Governor's Budget requests a 3.7 percent growth adjustment for a number of programs—including staff development—because Chapters 82 and 83 specifically require such an increase in the event that the California voters ratify SCA 1 (Garamendi) at the June 1990 election.

Our review indicates that, for *most* of the specified programs (including most staff development programs), a population growth adjustment makes sense, because the programs are designed to provide services to the general population of K-12 teachers. In the case of the New Teacher Project and teaching improvement programs, however, our analysis indicates that a population growth adjustment is *not* warranted, because these programs are demonstration projects that are intended to be of

limited scope and their associated funding needs are not related to population.

For these reasons, our analysis indicates that it is inappropriate to provide these programs with a population-based growth adjustment. We therefore recommend that the Legislature reduce the amount requested by \$153,000, and transfer these funds to the Proposition 98 reserve. Consistent with this recommendation, we further recommend that the Legislature adopt the following Budget Bill language in Item 6110-191-001:

Notwithstanding section 42238.15 of the Education Code, no funding for workload increases shall be provided to the programs specified in subschedule (e) and (g) of this item.

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

We recommend that the State Department of Education (SDE) and the Commission on Teacher Credentialing (CTC) report, at the time of budget hearings, on their plans for completing a study concerning the Administrator Training and Evaluation Program and related training in colleges and universities.

The Governor's Budget requests \$5.4 million from the General Fund to support the Administrator Training and Evaluation Program (ATEP). This program provides training to school administrators—and persons who wish to become school administrators—in instructional leadership. This training supplements one or two years of college coursework, which is required in order to obtain an administrative credential.

In last year's *Analysis*, we noted that most ATEP participants believed the program's training in instructional leadership to be beneficial. For this reason, we contended that it would also be desirable to include this training in state-approved credential programs administered by colleges and universities. It was unclear, however, to what degree these programs might already incorporate this training and, for this reason, we recommended, and the Legislature adopted, supplemental report language directing the SDE and the CTC to jointly report by November 1, 1989, on the need for modifying university-based training programs.

At the time this analysis was prepared, the required study had not been conducted. This appears to have been an oversight on the part of both agencies. In order, however, to ensure that the study is in fact conducted and submitted to the Legislature, we recommend that both agencies comment, at the time of budget hearings, on their plans for completing the report.

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 1989-90, the program will serve an estimated 454,000 students (including those in state special schools) who are learning, communicatively, physically, or severely handicapped.

DEPARTMENT OF EDUCATION—Continued

Table 11 shows the expenditures and funding for the Special Education program in the prior, current, and budget years.

Table 11
K-12 Education
Special Education Programs
1988-89 through 1990-91
(dollars in thousands)

<i>Expenditures</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Changes From 1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
State administration	\$7,471	\$8,601	\$8,636	\$35	0.4%
Clearinghouse depository	464	528	550	22	4.2
Southwest Deaf-Blind Center	1	1	2	1	100.0
Special schools	42,547	46,839	48,739	1,900	4.1
Special schools transportation	436	436	436	—	—
Alternative programs	95	—	—	—	—
Totals, state operations	\$51,014	\$56,405	\$58,363	\$1,958	3.5%
Funding sources, state operations					
General Fund	\$39,908	\$43,787	\$45,689	\$1,902	4.3%
Federal funds	7,385	8,511	8,546	35	0.4
Special Funds ^a	—	148	148	—	—
Reimbursements	3,721	3,959	3,980	21	0.5
Local assistance					
Support for local programs					
General Fund	\$1,208,155	\$1,306,210	\$1,463,919	\$157,709	12.1%
Federal funds	119,512	126,832	131,797	4,965	3.9
Local funding (excluding special edu- cation revenue limits) ^b	274,136	283,883	292,816	8,933	3.1
Special education revenue limit funds ^c	323,436	338,469	348,000	9,531	2.8
Subtotals, support for local programs...	(\$1,925,239)	(\$2,055,394)	(\$2,236,532)	(\$181,138)	(8.8%)
Federally funded programs					
Preschool program	\$21,460	\$33,228	\$33,228	—	—
Other programs	14,977	16,064	16,063	—1	—
Subtotals, federally funded programs...	(\$36,437)	(\$49,292)	(\$49,291)	(—)	(—)
Alternative programs					
School success program	\$640	\$620	\$620	—	—
Totals, local assistance	\$1,962,316	\$2,105,306	\$2,286,443	\$181,137	8.6%
Funding sources, local assistance					
General Fund ^d	\$1,425,497	\$1,533,604	\$1,697,699	\$164,095	10.7%
Federal funds	155,949	176,124	181,088	4,964	2.8
Local support ^e	380,870	395,578	407,656	12,078	3.1
Grand Totals	\$2,013,330	\$2,161,711	\$2,344,806	\$183,096	8.5%

^a Lottery funds.

^b Includes county taxes, local general fund contribution, and excess county funds reallocated to school districts.

^c Revenue limit funds calculated for support of special day classes.

^d Includes state share (67 percent) of revenue limits.

^e Includes local share (33 percent) of revenue limits.

For 1990-91, the budget proposes total support for special education programs of approximately \$2.3 billion. This consists of \$2.2 billion in total "entitlements" for local special education programs, \$49.2 million for

operation of the state special schools, (including transportation), \$8.6 million for state administration, and \$50.5 million for other special education programs, including the federal preschool programs.

The budget proposes to fund these expenditures as follows: \$1.7 billion from the General Fund (including amounts budgeted in revenue limit apportionments that support special education, Item 6110-101-001), \$189.6 million in federal funds, and \$411.6 million in local funds and reimbursements, including the local share of revenue limits that support special education.

The total amount represents an increase of \$183.1 million (8.5 percent) above the current-year level, including \$74.9 million for statutory funding increases and \$108.2 million for discretionary increases. Two elements of the special education budget are required by statute to receive annual increases—the program receives a statutory COLA, and certain programs receive statutory funding for workload adjustments related to increases in special education enrollments. The budget proposes to provide \$65 million for a 3.0 percent cost-of-living increase (in lieu of the statutory rate of 4.95 percent), and \$9.9 million for workload adjustments. The proposed discretionary increases include \$65.5 million for other enrollment growth and \$41.2 million for provision of noninstructional services to special education students, previously provided by other state agencies.

We recommend approval of the proposed funding shown in Table 11 for the following program elements, which are not discussed elsewhere in this analysis:

- *State special schools (Items 6110-006-001 and 6110-007-001)*—\$49.2 million for the three state special schools, three diagnostic centers for the neurologically handicapped, and three assessment centers for visually and hearing-impaired students (\$45.2 million from the General Fund, \$3.8 million in reimbursements and \$148,000 from the Lottery Fund) serving the blind, deaf, and neurologically handicapped. This amount includes (1) \$48.7 million for operation of the schools and centers and (2) \$436,000 for transportation. The budget proposal includes a General Fund shift of \$910,000 from special education local entitlements to the state special schools for extended-year instruction. The SDE estimates that the schools and diagnostic centers will serve a total of 1,197 residential students in 1990-91.

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

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

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.

DEPARTMENT OF EDUCATION—Continued

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 five 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.
- **State special schools**—these facilities serve pupils who cannot be served in a public school setting within their region.
- **Nonpublic schools (NPS)**—these schools serve residential students who cannot appropriately be served in a public school setting.

Table 12 displays the distribution of special education students by general disability and instructional setting, as of April 1, 1989.

Table 12
K-12 Education
Special Education Enrollments
By Type of Disability and Placement
April 1, 1989

Placement	Disability				Totals
	Communi- cation ^a	Learning ^b	Physical ^c	Severe ^d	
Designated Instruction and Services (DIS)	106,467	7,108	12,301	1,971	127,847
Resource Specialist Program (RSP)	4,763	173,336	2,141	1,332	181,572
Special Day Class (SDC)	12,586	72,885	12,165	39,911	137,547
Nonpublic Schools (NPS)	170	999	246	4,619	6,034
State Special Schools	798	—	31	213	1,042
Totals	124,784	254,328	26,884	48,046	454,042

^a Speech impaired, hard of hearing, deaf.

^b Specific learning disability.

^c Orthopedically impaired, visually handicapped, other health impaired.

^d Mentally retarded, severely emotionally disturbed, deaf-blind, multihandicapped.

The table shows that, of the total 454,000 special education pupils in 1988-89, 254,328 (56 percent) were identified as having learning disabilities. Of these, over two-thirds were served in RSP settings. The table also shows that relatively few special education pupils—48,046 (11 percent)—were severely handicapped. These students tend to be served predominantly in special day classes.

Per-Pupil Funding. Table 13 displays (1) the average revenue limits of school districts and (2) the statewide average cost per pupil, by instruc-

tional setting, of providing special education services. The table shows that, in 1989-90, the average additional cost of providing special education services in a unified school district ranged from \$2,207 in the DIS setting to \$4,226 in SDCs. On average, therefore, total costs of educating special education students in unified districts ranged from \$5,164 (DIS) to \$7,183 (SDC) or 175 percent to 243 percent, respectively, of the statewide average revenue limit.

Table 13
K-12 Education
Special Education Costs Per Pupil
By Instructional Setting
(Based on 1989-90 Statewide Averages)

<i>Type of School District</i>	<i>Additional Costs for Special Education</i>			
	<i>Regular Program Average Revenue Limit</i>	<i>Special Day Class (SDC)</i>	<i>Resource Specialist Program (RSP)</i>	<i>Designated Instruction and Services (DIS)</i>
Elementary.....	\$2,808	\$4,375	\$3,072	\$2,207
High school.....	3,433	3,750	3,072	2,207
Unified.....	2,957	4,226	3,072	2,207

General Fund Requirements. The budget proposes a total of \$2.2 billion in local assistance for the Master Plan, of which a total of \$1.7 billion is from the General Fund. Proposed General Fund expenditures include \$1.5 billion for direct assistance for program "entitlements," and \$233,000 for the state share of general school apportionments.

Funding for Enrollment Increases. The budget proposes \$75.9 million from the General Fund in order to fund additional instructional personnel in the budget year. (Funding for enrollment growth falls into two categories — (1) statutorily required and (2) discretionary.) Of the proposed funding, \$9.9 million is statutorily required for enrollment increases in nonpublic schools, regionalized services, county longer-day and -year incentives, and extended-year programs. This statutory increase is based on an estimated 4.73 percent growth in special education students—the same rate of growth as in 1988-89.

Funding for all other enrollment increases in special education is discretionary. The budget proposes to provide discretionary growth funding based on the estimated rate of enrollment growth in regular education (3.5 percent).

Thus, the budget proposes discretionary funding of (1) \$64.2 million for additional personnel due to increasing levels of enrollment in SDCs, RSPs, and DISs serving students ages 5-21, (2) \$920,000 for additional personnel due to increases in infant enrollments, and (3) \$409,000 in other enrollment adjustments. In addition, the budget proposes to continue to provide \$500,000 for units approved by waiver for sparsely populated and rural SELPAs which would not otherwise be eligible for such units based on statutory funding standards.

DEPARTMENT OF EDUCATION—Continued

The SDE estimates that, based on recent experience, the level of requests for growth funding in the budget year may exceed the funding available. In addition, no funding was provided in the current year and no funding is proposed in the budget year for an estimated \$38 million in current-year requests for enrollment growth funding in excess of amounts appropriated for this purpose. If the state does not fully fund such requests, they will be supported from school districts' general-purpose revenues.

Evaluation Plan Does Not Fulfill Statutory Requirements

We recommend that the Legislature adopt supplemental report language requiring the State Department of Education to submit, by October 1, 1990, a report providing specific information on evaluation of the special education program.

In 1988, the Legislature enacted Chapter 1508 (SB 2059, Seymour), which reauthorized the state's special education program. As part of the reauthorization, the statute required the State Board of Education (SBE) to review and approve a program evaluation plan for special education covering up to a three-year period.

This evaluation plan, to be submitted to the SBE by the SDE, is required by statute to contain a procedure to identify statewide evaluation priorities in special education, and to identify strategies to ensure the cooperation of special education local plan areas (SELPA's) in conducting studies. Specific information requirements for the plan are also set in statute, including several evaluation topics to be addressed by the SDE.

Since the passage of Chapter 1508, the Special Education Division of the SDE has undertaken several activities to fulfill its requirements. Specifically, the division formed an advisory committee on evaluation, which includes representatives from various education agencies. This committee is assisting in developing strategies to ensure cooperation of SELPA's, as required by statute, and is providing input on other aspects of special education evaluations. Finally, the division has developed an evaluation plan, as required, which is currently before the SBE for consideration.

Analysis. Our analysis of the plan submitted to the SBE for approval indicates that it does not provide the *specific* information required by Chapter 1508. The plan developed by the SDE establishes a *process* for developing information on three of the 12 items required by current law, at a level of detail which could be useful to the Legislature. The plan does not, however, address whether or when this information developed under the SDE plan will be provided to the Legislature.

Our analysis indicates that the SDE plan also falls short of meeting statutory requirements in several other ways. Specifically, the plan does not address methodologies, scope and duration, cost, or policy implications of needed studies, or how the SDE proposes to analyze existing eligibility criteria and develop and test alternatives to specified service delivery models, as required by statute.

The SDE indicates that its Program Evaluation and Research Division has also developed guidelines for evaluations, which our analysis indicates should be incorporated into the methodology requirements for the special education plan.

Recommendation. In order to ensure receipt of the information required by statute, we recommend that the Legislature adopt the following supplemental report language in Item 6110-161-001 requiring the SDE to provide a report addressing specific requirements of Chapter 1508:

The State Department of Education (SDE) shall provide to the Joint Legislative Budget Committee and legislative fiscal committees, by October 1, 1990, a report specifying the results of the department's current activities to develop: (1) measurable outcomes and goals against which the special education program can be evaluated, (2) questions requiring further research, and (3) a summary of research on those questions to date. In addition, the report shall specify (1) potential evaluation methodologies, in accord with evaluation guidelines developed by the SDE Program Evaluation and Research Division, (2) the scope and duration of needed evaluations, (3) organizations which can conduct the evaluations, (4) funding needs, (5) potential policy implications of the evaluations, (6) provisions for analyzing problems with existing eligibility criteria, (7) options for improving eligibility criteria, (8) provisions for developing and testing alternative models to the resource specialist program, and (9) a discussion of the appropriateness of establishing specific exit criteria.

Noninstructional Services for Special Education Students

We withhold recommendation on the administration's proposal to transfer responsibility for providing certain noninstructional services required by special education students from the Department of Social Services and the Department of Mental Health to the State Department of Education, pending receipt from the DOF and the SDE of a specific implementation plan. Consistent with this recommendation, we also withhold recommendation on \$41,146,000 from the General Fund associated with this transfer.

The budget proposes to transfer \$41.1 million in General Fund support from the Department of Social Services (DSS—\$26 million) and the Department of Mental Health (DMH—\$15.1 million) to the SDE, in order to provide funding for local education agencies to provide special education students with certain noninstructional services currently provided by DSS and DMH. This proposal is based upon the proposed repeal of current law which requires interagency agreements in order to ensure the coordinated delivery of such services.

Requirements of Current Law. Chapter 1747, Statutes of 1984 (AB 3632, W. Brown), and Chapter 1274, Statutes of 1985 (AB 882, W. Brown), establish the framework under which the SDE, the DMH, and the State Department of Social Services (DSS) provide services to special education students. Each agency is required to conduct appropriate assessments of students' needs, and to provide appropriate services. In addition, the DSS is required to provide funding for out-of-home placements for severely emotionally disturbed students (SED). Each

DEPARTMENT OF EDUCATION—Continued

agency is also required to adopt regulations to implement these requirements.

Subsequent to the enactment of Chapters 1747 and 1274, the federal government promulgated regulations related to Public Education for All Handicapped Act (P.L. 94-142), requiring that states implement interagency agreements to ensure adequate coordination in the delivery of services to handicapped students. The federal regulations require the state to develop policies and procedures which (1) describe the role of each agency that provides or pays for services for special education students and (2) define the financial responsibility of each agency. According to the SDE, the provisions of Chapters 1747 and 1274 fulfill these requirements.

Services Provided Under Existing Law. Both federal and state law define a number of services which special education students may require in order to benefit from instruction, but which are not strictly educational. These services include medically necessary health services, psychological services, and physical and occupational therapy. State law requires these services to be provided by appropriate specialists, rather than by special education teachers. The students receiving services under Chapters 1747 and 1274 are primarily SED students, many of whom require mental health services and some of whom require out-of-home placements.

Prior to enactment of Chapters 1747 and 1274, local education agencies (LEAs) would refer students who appeared to need specialized services to other appropriate agencies, but there was no coordination to ensure that students would be adequately assessed or would receive needed services. In addition, state law prior to Chapter 1747 and Chapter 1274 restricted the availability of AFDC funding for students placed in out-of-home settings. The intent of these measures was to shift the responsibility for provision and funding of services to those agencies best able to do so.

Funding History. In order to implement Chapters 1747 and 1274, \$5.4 million in funding was appropriated for transfer to the DSS and \$2.7 million was appropriated for transfer to the DMH from the SDE in 1986-87. These transfers were based on identified LEA costs for out-of-home placements and for mental health assessments for special education students. An additional \$2 million was added to the DMH budget for caseload management in 1986-87 as well.

Caseloads served by these programs have increased since that time. As a result, local assistance expenditures by the DSS to provide payments for out-of-home placements increased from \$3.0 million in 1986-87 to \$26 million proposed for these payments (in the SDE budget) for 1990-91. During the same period, local assistance expenditures by the DMH to provide assessments, case management, and treatment increased from \$4.7 to \$15.1 million. The total expenditures for these programs in the current year also includes \$3.1 million in county matching funds.

Fiscal Implications of the Budget Proposal. The administration intends that, by shifting funding for these services back to the special education budget, such funding would be paid from the Proposition 98 minimum funding requirement. Further, the growth in funding for such services has outpaced the rate of growth in General Fund revenues since 1986-87. As a result, the shift would result in effectively "freeing up" \$37.5 million in General Fund support available for non-Proposition 98 expenditures, and reduce the amount of funds that would otherwise have been available for other K-12 education programs by the same amount. Thus, if the Legislature rejects the proposal, there would be \$37.5 million *less* available for non-Proposition 98 expenditures elsewhere in the budget.

Programmatic Implications. Legislation to repeal Chapters 1747 and 1274 has not been introduced, and the Legislature has not been provided with an implementation plan for the proposal. Our initial review of the proposed repeal of the two chapters, however, raises the following questions:

- ***Is the proposal consistent with the requirements of Proposition 98?*** The proposed shift of funding for noninstructional services for special education students to the special education budget assumes that these services meet the requirements for funding under Proposition 98. Last year, Legislative Counsel concluded that, in order for expenditures to be eligible for funding under Proposition 98, certain criteria constituting an "educational nexus" needed to be met. In general, the test of eligibility is whether a program serves primarily instructional—as opposed to social service— purposes, and is appropriated for and allocated to school districts and other education agencies. We have requested an opinion from Legislative Counsel on whether these services are eligible for funding under Proposition 98.
- ***Is the proposal the best way to effect a transfer to Proposition 98 funding?*** If it is determined that these services do meet Proposition 98 funding eligibility requirements, the administration's proposal may be unnecessarily broad in its programmatic impact. Significant local and state effort has gone into implementing Chapter 1747 and Chapter 1274 over the last five years. Although there are major implementation problems related to funding, progress has been made toward ensuring that special education students receive needed services as a result of the enactment of these measures. Without a specific implementation plan to review, the Legislature cannot determine if this progress would be maintained under the proposal.
- ***Does the state risk losing federal funding for special education programs?*** Federal regulations require state special education plans to define the programmatic and financial responsibility of all agencies involved in providing services for special education students. To the extent that existing statute fulfilled that requirement, there is a chance that the proposed repeal could bring the state out of compliance with federal law and jeopardize the receipt of \$149 million in federal P.L. 94-142 funds.

DEPARTMENT OF EDUCATION—Continued

- ***Is the proposal technically correct?*** Our analysis indicates that there are two major technical problems with the DOF proposal. The first problem is that, in its initial implementation of Proposition 98, the DOF incorrectly included some expenditures for this program in its calculations of the minimum funding guarantee, thus overstating the level of the Proposition 98 guarantee. The second problem is that, under the budget proposal, an incorrect amount of funding for the program was included in the 1986-87 base year for recalculating Proposition 98 minimum funding guarantees, thus overstating the General Fund impact of the proposal. If these problems are corrected, the net effect is that adoption of the budget proposal would free up *\$34.9 million*—rather than *\$37.5 million*—for non-Proposition 98 expenditures (and the amount of funding for Proposition 98 expenditures would be reduced by the same amount). Rejection of the proposal, on the other hand, would result in a “hole” of *\$30.4 million*—rather than *\$34.9 million*—in the non-Proposition 98 part of the General Fund budget, after adjusting for the correct minimum funding guarantee.
- ***Does the proposal result in underfunding the amounts needed by LEAs in order to continue to provide noninstructional services at current levels?*** Current levels of funding expended by local mental health and social service agencies from their own funds would not be required if Chapter 1747 and Chapter 1274 were repealed. The proposal does not provide additional funding for LEAs to cover these amounts, so in order to maintain current service levels, LEAs would have to absorb approximately *\$3.1 million* in costs.

Recommendation. Our analysis indicates that, in order for it to evaluate these issues, the Legislature needs more detailed information on this proposal than has to date been provided by the administration. The budget change proposal for this action in the DMH budget specifies several issues that will be addressed in implementing legislation, including how to maintain continuity of services for special education students, how close cooperation between agencies will be assured, and what would be the ongoing role for local mental health agencies in providing services. Without an implementation plan, including the proposed legislation, we are unable to provide the Legislature with a detailed analysis of the programmatic impact of the proposed funding shift.

Accordingly, we withhold recommendation on the administration's proposal to transfer responsibility for providing certain noninstructional services required by special education students from the Department of Social Services and the Department of Mental Health to the SDE, pending receipt from the DOF and the SDE of a specific implementation plan. Consistent with this recommendation, we also withhold recommendation on \$41,146,000 from the General Fund associated with this transfer.

b. Special Education Federal Funds (Item 6110-161-890)

We withhold recommendation on \$131,797,000 in federal funds, pending receipt of information from the Department of Finance and the State Department of Education on the correct level of federal funding for entitlements.

The federal 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 state receives several different federal grants for special education purposes. The budget proposes \$189.6 million in total federal funds expenditures consisting of (1) \$181.1 million for direct and indirect assistance to local programs and (2) \$8.5 million for state operations in Item 6110-001-890. Specifically, the budget proposes federally funded local assistance expenditures of (1) \$131.8 million for the Master Plan, (2) \$33.2 million for preschool programs, and (3) \$16.1 million for other specific grant programs and direct and indirect assistance.

Our analysis indicates that the budget may inappropriately include \$1.9 million in carryover funding in the level of proposed federal funding for the Master Plan. To the extent that federal funding for the Master Plan is overstated, the budget request for General Fund support would be correspondingly understated by an equivalent amount.

We anticipate that more accurate estimates of the P.L. 94-142 grant award and federal funding for local entitlements will be available at the time of the May revision. Accordingly, we withhold recommendation on \$131.8 million in federal funds in the budget proposal, pending receipt from the DOF and the SDE on the correct level of entitlements and the expected level of federal funds. At that time, we will also address any corresponding changes needed in the level of General Fund support, as appropriate.

c. Alternatives to Special Education—Early Intervention for School Success (Item 6110-162-001)

The Early Intervention for School Success (EISS) program, created by Ch 1530/85 (SB 1256, Watson), is a program designed to identify and assist kindergarten students who are not at the stage of development needed in order to benefit from a kindergarten curriculum. Specifically, the program (1) screens students to determine if they show "developmental deficiencies" (discrepancies between their chronological age and their stage of development) and (2) provides students identified as having such deficiencies with a more appropriate curriculum. The program is administered statewide by the Orange County Office of Education (OCOE), and is based on a similar federal program (the Early Prevention of School Failure—EPSF—program).

The primary differences between the EISS program and the federal program are that (1) the state provides schools with adoption grants of \$5,000 to cover the costs of staff training, classroom screening, and curriculum materials and (2) OCOE has provided significant levels of technical assistance (at an approximate cost of \$2,000 per school) to

DEPARTMENT OF EDUCATION—Continued

adopting schools. The OCOE also tailored one screening test to better suit California's student population; otherwise, the program is identical to the federal program. Under current law, the EISS program "sunset" on July 1, 1991.

Budget Proposal. The budget proposes to continue the EISS program at its current funding level of \$620,000. The budget request consists of (1) \$355,000 for OCOE's administrative costs, including \$169,000 for technical assistance to adopting schools, (2) \$225,000 for initial implementation grants, and (3) \$40,000 for one-year continuation grants.

Implementation Status. Through 1989-90, the state has provided a total of \$2.6 million in funding for the EISS pilot program. To date, the program has been adopted in 199 schools, of which 181 have continued the program. OCOE has allocated 115 implementation grants to districts, which has resulted in program implementation in 136 schools. In addition, another 63 schools have adopted the program without receiving a grant. OCOE has developed the program such that individuals trained in the screening and use of the curriculum can train others, in order to increase program dissemination within districts.

Chapter 1530 established several goals for the EISS program, including adoption at 200 school sites by June 1991, reduction of the frequency and severity of learning disabilities for students with developmental deficiencies, and reduction in the number of special education placements.

In addition, the legislation requires the Legislative Analyst to review the program and report to the Legislature. The following analysis is prepared in compliance with this requirement.

Program Review: Further Evaluation by SDE Needed

We recommend that the Legislature adopt supplemental report language requiring the State Department of Education to review the Early Intervention for School Success (EISS) program in comparison with other programs which have similar goals, and to make recommendations by March 15, 1991, concerning statewide implementation of the EISS program.

In conducting our statutorily required review of the EISS program, we focused on the following three questions:

- To what extent is the program successful in helping students overcome developmental deficiencies?
- To what extent do the program's screening procedures and instructional program reduce the likelihood of a pupil's placement in special education classes, and is this an appropriate goal for the program?
- How cost-effective is the program in comparison to other programs with similar goals, serving similar types of students?

Our review is based primarily on data provided by the OCOE in its annual reports on the program. The county office collected data on the performance of students in schools implementing the program in order to provide data on the effectiveness of the instructional program. The county office also collected comparative data from schools implementing

the program and similar schools not implementing it, concerning rates of placement in special education and rates of retaining students in kindergarten for the next school year ("grade-level retention"). (The OCOE considers reductions in grade-level retention to be a potentially significant component in cost savings resulting from the EISS program.)

Remediation of Developmental Deficiencies. The OCOE evaluated student performance in adopting schools by administering several different types of tests to students in the fall (pre-tests) and in the spring (post-tests). Student performance, however, was not evaluated in nonadopting schools for comparison. The results were aggregated across all adopting schools, grouped into subcategories of students by major language group (English, Spanish, and other limited English proficient), and reported in terms of (1) changes in average test scores and (2) changes in the approximate developmental age corresponding to average test scores.

The OCOE's evaluation of student performance indicates that, in general, the EISS program was able to accelerate students' development and bring them closer to expected levels of achievement for their grade level. In terms of developmental age results, the data indicate that, among groups of students, the minimum improvement in a group's average performance was one year for nine months of instruction (excluding motor skills tests), and some groups of students showed as much as a four-year gain for nine months of instruction. Average test scores from fall pre-tests to spring post-tests for the EISS test instruments and on nationally standardized tests improved markedly, and students showed gains in skills mastered on an overall skills checklist. Spanish-speaking students, however, did not make educationally significant gains, as defined by OCOE, on language skills as measured by one national instrument.

Our review indicates, however, that there are some caveats necessary in interpreting the OCOE results on student performance. There are two components to evaluating the effectiveness of the program in remediating developmental deficiencies: (1) did the program improve participating students' performance and (2) did it do so any more than would be expected without the program or under a different program.

The OCOE evaluation addressed only the first component, and the data may overstate the effectiveness of the program in terms of participating students' improvements. Use of a fall pre-test and spring post-test evaluation methodology can overstate the gains made by students, because post-test scores have generally been observed to drop between the spring and the following fall.

Special Education Placements. To evaluate the effect of the EISS program on the rate of special education placements, the OCOE established a set of matched schools, both adopting and not adopting the program. They collected data from each matched school on the percentage of kindergarten students referred to special education and the percentage of students placed in special education. They requested each school to report the same figures for the two years prior to the first EISS

DEPARTMENT OF EDUCATION—Continued

year. In addition, they collected the same data from all the other adopting schools.

Our review indicates that, because the sample of matched schools is very small, it is not appropriate to compare average rates of special education placement between adopting and nonadopting schools. Within the small sample, results comparing adopting schools and nonadopting schools are mixed, and do not indicate any trends. Within the larger sample of all adopting schools, it appears that kindergarten placements in special education *increased* in EISS schools relative to those schools' placements for the two years prior to EISS.

The EISS program may be resulting in earlier identification of learning disabilities, and an *increase* in the number of appropriate placements of students into special education in kindergarten. (Without the EISS program, the students probably would not have been placed until later grades, when academic demands increase.) Data on third grade special education placements will be available for a few schools beginning this year, and may be more indicative of the program's effect.

Retention at Grade Level. Retention data were collected in the same manner and across the same samples as data on special education placements, and the data are similarly inconclusive. Comparisons between adopting schools and nonadopting schools do not show any trends. Among adopting schools, the EISS program appears to have resulted in a decrease in grade-level retentions relative to the two years prior to program adoption. Retention data were only collected in the first year of EISS implementation in a given classroom, so the long-term impact of EISS on both student achievement and teacher attitudes toward retention cannot be determined. No information is available on statewide retention rates in kindergarten for comparison, and no data are available to determine the extent to which EISS may reduce the number of students that might be retained at a later date.

Relative Cost-Effectiveness. Because retention and special education placement data are inconclusive, a dollar value of program benefits cannot be determined. In addition, there is no basis for determining if the EISS program is more or less cost-effective in comparison to other locally developed programs, state programs (such as the kindergarten screening program for learning disabilities, established by Ch 1376/85 [AB 972, Bradley]), and the federal program. The total program cost per adopting school averages \$13,000, of which up to \$6,000 is grant funding, \$2,000 is direct technical assistance, and the remainder is administrative and start-up costs (excluding costs incurred by local school sites, including in-kind contributions or other expenses).

Conclusions. In general, it appears that the EISS program is effective in assisting kindergarten students to overcome developmental deficiencies. It is not clear what the effect of the EISS program is on referral and placement in special education, but there is some indication that placements may increase in kindergarten as a result of the program. Similarly, it is not clear that the EISS program has an impact on retention

at grade level, although some schools definitely showed a decrease in retentions after adopting the program. Finally, while the EISS program is not expensive on a per-school basis, it is not clear if it is the *most* cost-effective method of achieving its educational goals.

Recommendation. Because the EISS program appears to be effective in remediating developmental deficiencies in kindergarten students, we recommend that the Legislature continue the program in the budget year. However, we cannot determine if the EISS program is the most cost-effective way to meet this goal.

Because the EISS program is scheduled to sunset on July 1, 1991, the Legislature needs comparative information on the relative cost-effectiveness of the EISS program and other programs designed to meet similar educational goals. Therefore, we recommend that the Legislature adopt the following supplemental report language requiring the SDE to review this program in comparison to other programs which have similar goals:

The State Department of Education (SDE) shall review the Early Intervention for School Success pilot program in terms of its cost-effectiveness in comparison to other programs with similar goals, and report to the Joint Legislative Budget Committee and the other fiscal committees by March 15, 1991, on its recommendations concerning statewide implementation of the program.

4. Vocational Education Programs

Table 14 summarizes funding for all vocational education programs, including Regional Occupational Centers and Programs (ROC/Ps). In total, the vocational education budget requests approximately \$358 million for these programs in 1990-91—an increase of \$8.3 million (2.4 percent) above the estimated current-year level of expenditures. The entire increase is due to increased funding for ROC/Ps.

We recommend approval of the proposed funding shown in Table 14 for the following vocational education programs, which are not discussed elsewhere in this analysis:

- **Regional Occupational Centers and Programs (ROC/Ps) (Item 6100-102-001)**—\$238.9 million from the General Fund to support vocational training provided to high school pupils and adults in ROC/Ps. The proposed amount reflects increased funding for ROC/Ps of \$8.3 million, consisting of (1) \$1.4 million to fund enrollment growth of 0.6 percent and (2) \$6.9 million for a 3.0 percent COLA.
- **School-based programs (Item 6110-166-890)**—\$79.5 million from the Federal Trust Fund for local assistance to vocational education programs which are provided as part of the regular school curriculum.
- **Agricultural Vocational Education Incentive program (Item 6110-167-001)**—\$3.1 million from the General Fund for grants to school districts to improve the quality of approved agricultural vocational education programs.

DEPARTMENT OF EDUCATION—Continued

Table 14
K-12 Education
Funding for Vocational Education Programs
Local Assistance
1988-89 through 1990-91
(dollars in thousands)

Programs	Actual	Est.	Prop.	Change from	
	1988-89	1989-90	1990-91	1989-90	
				Amount	Percent
Regional Occupational Centers/Programs ..	\$220,466 ^a	\$230,560	\$238,906	\$8,346	3.6%
School-based programs.....	71,559 ^b	79,484 ^c	79,484 ^c	—	—
Agricultural education	3,000	3,139	3,139	—	—
Student organizations	550	576	576	—	—
Special-purpose programs:					
Partnership academies.....	\$1,216	\$2,330	\$2,330	—	—
GAIN matching funds	7,200	7,200	7,200	—	—
Federal JTPA/other reimbursements	16,024	26,256	26,256	—	—
Subtotals, special-purpose programs	<u>(\$24,440)</u>	<u>(\$35,786)</u>	<u>(\$35,786)</u>	<u>(—)</u>	<u>(—)</u>
Totals.....	\$320,015	\$349,545	\$357,891	\$8,346	2.4%
Funding Sources:					
General Fund.....	\$232,124	\$242,991	\$251,337	\$8,346	3.4%
Federal funds	71,867	80,298	80,298	—	—
Reimbursements	16,024	26,256	26,256	—	—

^a Includes \$5 million for GAIN in Control Section 22.00 of the 1988 Budget Act.

^b Excludes \$308,000 in federal funds for Partnership Academies.

^c Excludes \$814,000 in federal funds for Partnership Academies.

- **Vocational education student organizations (Item 6110-118-001)**—\$576,000 from the General Fund for vocational education student organizations.
- **Partnership academies (Items 6110-166-001 and 6110-166-890)**—\$2.3 million (\$1.5 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).
- **GAIN matching funds (Item 6110-166-001)**—\$7.2 million from the General Fund to match available federal Job Training Partnership Act (JTPA) funds that will be used to provide remedial education services as part of the Greater Avenues for Independence (GAIN) program.
- **Federal JTPA/other reimbursements (Item 6110-166-001—reimbursements)**—\$26.3 million in reimbursements from (1) federal funds for the 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).

In addition, we recommend approval of \$130,000 in federal funds (Item 6110-001-890) and 2 positions in order to expand consultant services to secondary, ROC/P, and adult business education programs.

5. Compensatory Education Programs

Compensatory education programs include federal Education Consolidation and Improvement Act (ECIA) Chapter 1, Economic Impact Aid (EIA), 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 15 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 \$794 million for compensatory education programs—\$280 million from the General Fund and \$514 million from federal funds.

The Miller-Unruh Reading Program, the Native American Indian Education Program, and the Indian Education Centers all received 4.64 percent cost-of-living adjustments (COLAs) in the current year; the Indian Education Centers also received approximately \$1 million from AB 198 (Ch 83/89, O'Connell) in 1989-90 for COLAs for specified previous fiscal years, transportation costs for existing centers, and the establishment of ten additional centers. The budget proposes no COLAs for any of these programs in 1990-91.

Table 15
K-12 Education
Funding for Compensatory Education Programs
Local Assistance
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change From</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
General Fund:					
Economic Impact Aid	\$231,952	\$206,091	\$257,169	\$51,078	24.8%
Miller-Unruh Reading Program	19,869	20,791	20,791	—	—
Native American Indian Education Program	365	382	382	—	—
Indian Education Centers	861	1,912	1,912	—	—
Subtotals	(\$253,047)	(\$229,176)	(\$280,254)	(\$51,078)	22.3%
Federal funds:					
ECIA Chapter 1	\$465,298	\$499,125	\$495,000	-\$4,125	-0.8%
Refugee and immigrant programs	18,433	19,372	19,048	-324	-1.7
Subtotals	(\$483,731)	(\$518,497)	(\$514,048)	(\$-4,449)	-0.9%
Totals	\$736,778	\$747,673	\$794,302	\$46,629	6.2%

Table 15 also shows that funding for EIA is proposed to increase by 25 percent over current-year levels. This apparent increase is somewhat misleading, however, in that it does not accurately reflect the level of EIA funds actually received by school districts in 1989-90. Specifically, SB 98 (Ch 82/89, Hart), AB 198 (Ch 83/89, O'Connell), and Ch 92/89 (AB 1087, Hughes) appropriated a total of \$914 million in additional funding to K-12 schools and community colleges, of which \$431 million was counted as a 1988-89 appropriation, in order to comply with requirements of Proposition 98. Of the \$431 million, \$35 million was to provide further equity in the distribution of EIA funds.

DEPARTMENT OF EDUCATION—Continued

Because the first two of these measures were not chaptered until June 30, 1989, however, local education agencies received the *entire* amount of these funds in 1989-90. If these figures shown in the table were adjusted to reflect the timing of school districts' actual receipt of EIA funds, the proposed increase for 1990-91 would be \$16.1 million (6.7 percent). This increase, in turn, reflects funding for program growth (3.6 percent) and COLA (3.0 percent).

In the federally-funded compensatory education programs, both ECIA Chapter 1 and Refugee and Immigrant Programs show a projected decrease in funding. Each program had a one-time carryover of funds from 1988-89 which does not appear in the base for the budget year.

We recommend approval of the proposed funding shown in Table 15 for the following compensatory education programs which are not discussed elsewhere in this analysis:

- *Economic Impact Aid (Item 6110-121-001)*—\$257.2 million;
- *Miller-Unruh Reading (Item 6110-126-001)*—\$20.8 million;
- *Native American Indian Education (Item 6110-131-001)*—\$382,000;
- *Indian Education Centers (Item 6110-151-001)*—\$1.9 million;
- *Education Consolidation and Improvement Act—Chapter 1 (Items 6110-136-890 and 6110-141-890)*—\$495.0 million; and
- *Refugee and Immigrant Programs (Item 6110-176-890)*—\$19.0 million.

6. School Desegregation (Items 6110-114-001 and 6110-115-001)

State reimbursement of school desegregation costs is not required by the California Constitution. However, under the provisions of current law, 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, 12 school districts receive reimbursement for court-ordered programs, and 42 school districts receive reimbursement for voluntary programs.

Table 16 shows the three-year funding history for these programs.

Table 16
K-12 Education
General Fund Appropriations for School Desegregation Programs
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> <i>1988-89</i>	<i>Est.</i> <i>1989-90</i>	<i>Prop.</i> <i>1990-91</i>	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
Court-ordered desegregation	\$399,933	\$395,401	\$444,587	\$49,186	12.4%
Voluntary desegregation	50,343	65,011	74,255	9,244	14.2
Totals	\$450,276	\$460,412	\$518,842	\$58,430	12.7%

Budget Proposal. The budget proposes \$444.6 million for court-ordered programs and \$74.3 million for voluntary programs in 1990-91, for a total of \$518.9 million. This total represents an increase of \$58.4 million (13 percent), above estimated current-year expenditures.

The budget proposes an increase of \$9.2 million (14 percent) for voluntary desegregation programs. Cost-of-living and enrollment growth adjustments are the only funding increases that are authorized by current law for districts that operate voluntary programs. Therefore, the increase includes the following components:

- \$6.3 million for three new claims from Berkeley, Claremont, and Gilroy;
- \$811,000 for other enrollment growth; and
- \$2.2 million for a 3.0 percent COLA.

Districts that operate court-ordered desegregation 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 16, the budget proposes an increase of \$49.2 million (12 percent) for court-ordered desegregation programs in 1990-91. This increase includes the following components:

- \$23.0 million for additional program expansion;
- \$13.2 million in enrollment growth; and
- \$12.9 million for a 3.0 percent COLA.

Our review indicates that these proposed funding levels are consistent with requirements of current law; accordingly, we recommend approval of the amounts budgeted.

Program Growth Continues Out of Control

We find that costs for desegregation programs are continuing to grow at rates far in excess of the K-12 education budget generally, and that the Legislature has a limited number of options for bringing these costs under control.

As indicated above, \$23.0 million in proposed court-ordered desegregation costs is for anticipated budget-year program expansion in currently-eligible districts. The Legislature attempted to minimize such increases several years ago by enacting Ch 180/85 (AB 38, Vasconcellos). That statute limited state reimbursement of court-ordered programs to 100 percent of their base year cost plus (1) cost-of-living and enrollment growth adjustments and (2) 80 percent of any additional expansion. It was generally expected that the 20 percent local cost share would provide a fiscal incentive for districts to limit program growth.

The continued expansion of court-ordered programs since the enactment of Chapter 180, however, appears to contradict this expectation. Between 1984-85 and 1989-90, for example, total costs for court-ordered desegregation have grown at an average annual rate of 13.5 percent (compounded). For comparison, funding for general-purpose revenue limits over this same period grew at an average annual rate of only 7.7 percent.

Options for Legislative Action. Our analysis indicates that, if the Legislature wishes to address the issue of rapidly increasing costs of school desegregation, it has several options available:

DEPARTMENT OF EDUCATION—Continued

- **Impose stricter eligibility standards and cost controls.** Current law provides little in the way of (1) guidelines for determining whether a school district should be eligible for desegregation aid or (2) controls over the types of services for which state funding may be provided, and their associated funding rates. As a result, there are substantial disparities among districts in the costs of delivering similar programs, and the state often provides funding for specific program elements at higher rates than it would if funding were provided through state categorical aid.
- **Increase required local cost share.** As an alternative to highly specific eligibility standards and cost controls, the Legislature may wish to consider simply increasing the local cost share. (In our *Analysis of the 1988-89 Budget Bill*, for example, we recommended increasing the local cost share from 20 percent to 50 percent.)
- **Provide funding on a formula basis.** In recent years, the focus of many desegregation programs has shifted from one of moving students among schools to providing additional educational resources to help overcome the harmful effects of racial and cultural isolation. As such, the rationale for "desegregation" aid has become closer in concept to that which underlies the state compensatory education program (Economic Impact Aid—EIA). A third option for the Legislature to consider, therefore, would be to combine all or part of the existing funding for desegregation with that provided for EIA, and require that school districts' first priority for the use of such funds shall be to support the costs of desegregation programs. (The current EIA funding formula reflects concentrations of specific types of educationally-disadvantaged pupils; it could be amended to include additional indicators of segregation.)

In sum, our review indicates that the adoption of any of these options could assist in bringing the rapidly increasing costs of desegregation programs under control while being sensitive to legitimate program needs. This could ultimately lead to a more equitable distribution of state funds among all school districts with high concentrations of minority populations.

Notification Needed to Enhance Legislative Oversight

We recommend that the Legislature adopt Budget Bill language requiring legislative notification, prior to approval by the Department of Finance, of any proposed revisions in allocations to school districts of desegregation funds.

The administration proposes new Budget Bill language for both court-ordered and voluntary desegregation programs which limits allocations to each school district to the amounts specified in the Budget Bill, unless the Department of Finance approves a revision. In addition, the language limits allocation of these funds to amounts claimed by local education agencies only for the 1990-91 fiscal year. Our review indicates that, given the continuing growth in these programs' costs (noted above), the administration's proposed language is reasonable.

In order to enhance legislative oversight of proposed funding revisions, however, we recommend including a notification requirement in the 1990 Budget Bill. Accordingly, we recommend adding the following Budget Bill language to Items 6110-114-001 and 6110-115-001:

The Department of Finance may not authorize any revisions to the Schedule contained herein sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

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 supplemental grants, pupil dropout prevention and recovery, foster youth services, federal and state drug and alcohol abuse prevention programs, tobacco use prevention program, School/Law Enforcement Partnership, commissions on professional competence, opportunity classes and programs, Gifted and Talented Education, specialized secondary schools, the ECIA Chapter 2 federal block grant, and driver training. Table 17 summarizes local assistance funding for these programs.

Table 17
K-12 Education
Support for Other Specialized Education Programs
Local Assistance
1988-89 through 1990-91
(dollars in thousands)

Programs	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change from 1989-90	
				Amount	Percent
Supplemental Grants.....	—	\$180,000	\$180,000	—	—
Pupil Dropout Prevention and Recovery ...	\$12,250	11,737	11,737	—	—
Foster youth services	821	859	859	—	—
State drug and alcohol abuse prevention ...	427 ^a	— ^a	— ^a	—	—
Federal drug and alcohol abuse prevention.....	10,646 ^a	20,480 ^a	20,480 ^a	—	—
Tobacco use prevention program	—	36,000	36,000 ^b	—	—
School/Law Enforcement Partnership	150	650	650	—	—
Commissions on professional competence ..	30	30	30	—	—
Opportunity classes and programs	1,344	1,808	2,332	\$524	29.0%
Gifted and Talented Education.....	26,433	24,520	29,358	4,838	19.7
Specialized secondary schools	2,101	2,198	2,198	—	—
Federal block grant (ECIA Chapter 2)	39,737	39,737	40,232	495	1.2
Driver training.....	20,576	21,236	21,236	—	—
Totals.....	\$114,515	\$339,255	\$345,112	\$5,857	1.7%
Funding Sources:					
<i>General Fund</i>	\$43,556	\$221,802	\$227,164	\$5,362	2.4%
<i>Federal funds</i>	50,383	60,217	60,712	495	0.8
<i>Special funds</i>	20,576	57,236	57,236	—	—

^a Additional funding for school-based drug and alcohol abuse prevention is contained in the budgets of the Office of Criminal Justice Planning and the Department of Alcohol and Drug Programs.

^b Of this amount, \$3.4 million is proposed for appropriation in the Budget Bill, and \$32.6 million was previously appropriated by Ch 1331/89 (AB 75, Isenberg).

DEPARTMENT OF EDUCATION—Continued

Table 17 shows that the budget proposes a total of \$345 million for these specialized education programs. Of this amount, \$227 million is from the General Fund, \$61 million from federal funds, and \$57 million from special funds. The proposed total is an increase of \$5.9 million (1.7 percent) over estimated current-year expenditures.

We recommend approval of the proposed funding shown in Table 17 for the following programs which are not discussed elsewhere in this analysis:

- *Foster youth services (Item 6110-119-001 (a))*—\$859,000;
- *Tobacco use prevention program (Proposition 99) (Items 6110-106-231 and 6110-001-231)*—\$36 million, including \$32.6 million appropriated by Ch 1331/89 (AB 75, Isenberg). (Issues related to this program are discussed in our companion document, *The 1990-91 Budget: Perspectives and Issues*);
- *School/Law Enforcement Partnership (Item 6110-225-001)*—\$650,000;
- *Commissions on professional competence (Item 6110-209-001)*—\$30,000;
- *Opportunity classes and programs (Item 6110-119-001 (b))*—\$2.3 million, including \$956,000 for program growth;
- *Gifted and talented education (GATE) (Item 6110-124-001)*—\$29.4 million, including \$3 million to continue funding appropriated by SB 98 (Ch 82/89, Hart), \$983,000 for program growth, and \$855,000 for a 3.0 percent COLA;
- *Specialized secondary schools (Item 6110-119-001 (c))*—\$2.2 million; and
- *Federal block grant (ECIA Chapter 2) (Items 6110-001-890 and 6110-101-890)*—\$40.2 million.

With the exceptions noted above, these programs are continued at essentially the same levels as in the current year.

a. Supplemental Grants (Item 6110-108-001)

In appropriating Proposition 98 funds for 1989-90, the Legislature earmarked \$180 million for a new concept in school finance—supplemental grants. These grants provide additional funds to school districts which would otherwise receive below-average amounts of per-pupil resources from general-purpose school apportionments and 27 specified special-needs categorical aid programs. The supplemental grant program thus extends the policy of providing level-up equalization aid (which the

Table 18
K-12 Education
Programs Related to Supplemental Grants
1990-91
(dollars in thousands)

Program	1990-91 Proposed Funding for Program ^a	Percent of Total	Program Characteristics		
			Alloca- tions Do Not Reflect Current Needs	District Participa- tion Limited ^b	Per-Pupil Needs Vary Signifi- cantly
1. School Improvement Program.....	\$314,517	25.29%			
2. Home-to-school transportation.....	313,770	25.23	X	^c	X
3. Economic Impact Aid.....	257,169	20.68	X		X
4. Instructional materials, K-8.....	102,587	8.25			
5. Mentor teacher program.....	71,557	5.75			
6. Child nutrition.....	49,510	3.98			X
7. Gifted and Talented Education.....	29,358	2.36		X	
8. Instructional materials, 9-12.....	25,992	2.09			
9. Miller-Unruh Reading Program.....	20,791	1.67		X	^d
10. Educational technology.....	13,570	1.09		X	
11. Dropout prevention.....	11,737	0.94		X	X
12. Tenth Grade counseling.....	7,639	0.61			
13. Demonstration programs in reading and mathematics.....	4,570	0.37		X	^d
14. New Teacher Project.....	3,305	0.27		X	
15. Small school district bus replacement...	3,297	0.27		X	X
16. Agricultural vocational education.....	3,139	0.25			^d
17. Opportunity programs/classes.....	2,332	0.19			^d
18. Indian education.....	2,294	0.18		X	X
19. Specialized high schools.....	2,198	0.18		X	
20. Partnership Academies.....	1,516	0.12		X	^d
21. Foster youth services.....	859	0.07		X	X
22. School/law enforcement partnership....	650	0.05		X	^d
23. Vocational education student organiza- tions.....	576	0.05			^d
24. Environmental education.....	515	0.04		X	
25. Reader service for blind teachers.....	242	0.02			X
26. Intergenerational education.....	173	0.01		X	
27. School-based management and ad- vanced career opportunities for classroom teachers ^e	—	—			
Totals.....	\$1,243,863	100.0% ^f			

^a Excluding supplemental grant funds.

^b Due to recent funding expansion, there is now almost full districts participation. Specifically, we estimate 95 percent participation in 1990-91.

^c 97 percent of all districts participate.

^d Because needs in these programs are not well defined, we are unable to determine whether needs are equal or unequal.

^e Supplemental grant funds may be spent for purposes of this program; any funding appropriated for its purposes, however, would not count towards determining need.

^f Details do not sum to totals, due to rounding.

DEPARTMENT OF EDUCATION—Continued

Legislature adopted in response to the *Serrano v. Priest* decision) to include general purpose school apportionments *plus* the specified categorical programs.

Specifically, SB 98 (Ch 82/89, Hart) and AB 198 (Ch 83/89, O'Connell) provide that school districts receiving below-average amounts of per-pupil funding from these sources shall receive supplemental grant funds (not to exceed \$100 per pupil) to help bring them up towards the statewide average for similar districts. By law, the funds must be spent for the purpose of funding one or more of the state-funded categorical programs shown in Table 18.

The Governor's Budget proposes to continue the current-year level of funding for supplemental grants in 1990-91—\$180 million.

Our analysis of the supplemental grants program reveals several problems with its current configuration. These problems fall into two broad categories: (1) allocation issues and (2) expenditure control issues. We discuss both types of issues below.

Legislature Should Revise Method for Allocating Supplemental Grants

We recommend that the Legislature adopt Budget Bill language removing transportation, Economic Impact Aid, child nutrition, and five other specified programs from the list used to determine the allocation of supplemental grants, because per-pupil needs in these programs vary significantly among districts and their inclusion does not promote the Legislature's goal of achieving an equitable distribution of funds.

Consistent with this action, we further recommend that the Legislature reduce the amount proposed for supplemental grants (and transfer the savings to the Proposition 98 reserve) based on a determination at the time of budget hearings of the amount needed to equalize funding for those programs remaining on the list.

On a per-pupil basis, school districts may receive varying amounts of revenues from state, local, and federal sources. Broadly speaking, these revenues may be allocated in two ways—as general purpose funds (primarily revenue limits—funded from a combination of local property taxes and state aid) and for special-needs categorical programs (which generally may be used only for purposes specified in law and may not be used to support a district's general education program).

As noted, the supplemental grants program extends the policy of providing level-up equalization aid to include general-purpose school apportionments *plus* specified categorical aid programs. Although this has been described by some as “bringing the state fully into compliance with the *Serrano* decision,” we find that there is nothing in this decision to require categorical aid equalization.

The Serrano Decision. In the landmark school finance case *Serrano v. Priest*, the California Supreme Court held that the state's then-existing school finance system—in which the amount of general-purpose educational spending per pupil was largely determined by a school district's

property tax wealth—was unconstitutional. The court further directed the Legislature to devise a school finance system that would reduce the amount of such wealth-related disparities to “insignificant differences” of less than \$100 per pupil by 1980. The court did not require the equalization of all per-pupil education expenditures; rather, it required that the link between district property tax wealth per pupil and general education expenditures per pupil be substantially eliminated.

In subsequent litigation, the courts clarified that (1) the \$100 figure—generally known as the “closure band”—should be *adjusted for inflation* since the original decision was issued (thus, it equals \$260 in 1989-90 dollars), and (2) the definition of general education expenditures should be limited to *revenue limit* funding, *excluding special-needs categorical aid programs*.

In response to the court’s decision, the Legislature has provided additional, “level-up” equalization aid to help bring per-pupil funding for low-revenue limit districts closer to the statewide average. Since 1983-84, when this system was first implemented in Ch 498/83 (SB 813, Hart), the Legislature has appropriated a cumulative total of approximately \$1.6 billion for such aid.

As a result of these actions, the state has moved from a situation in 1974-75 (the year of the original *Serrano* decision) where only 50.7 percent of statewide ADA were located within the \$100 closure bands to one in 1989-90 where an estimated 96 percent are within the (inflation-adjusted) bands—and *only 0.03 percent of such ADA falls below the closure bands*. Recognizing this achievement, in its most recent review of the *Serrano* case, the California Supreme Court let stand an appellate court decision holding that the state had *fully complied* with the requirement to reduce wealth-related disparities in per-pupil general education expenditures to “insignificant differences.”

Inequities in the Distribution of Categorical Aid. As discussed above, *Serrano* equalization aid only addresses disparities in districts’ “revenue limit” funding; there are, however, also inequities in the distribution of categorical aid. These inequities are of two sorts.

First, several programs (particularly home-to-school transportation and Economic Impact Aid) use procedures for allocating funds that are not fully responsive to changes in district needs that occur over time. As a result, districts with growing needs often do not receive a “fair share” of the funds. (Recent augmentations to the Economic Impact Aid program have only partially addressed the problem.)

Second, there are a number of programs in which not all districts may participate. For instance, only 41 percent of the districts in the state are allowed to participate in the Gifted and Talented Education (GATE) program. The Legislature has generally restricted participation in many such programs due to limitations of available funds. Table 18 shows that, of the 27 categorical programs associated with supplemental grants, 14 can serve only a limited number of districts.

Supplemental Grants Do Not Adequately Solve Problem. Supplemental grants attempt to address these inequities by providing additional

DEPARTMENT OF EDUCATION—Continued

“categorical-purpose” funding to many districts that previously received below-average amounts of categorical (and general purpose) aid. The mechanism is similar to the one used in *Serrano* equalization, except that categorical aid is also included.

By attempting to promote equalization of *total* funding levels per ADA, however, the supplemental grants program assumes that categorical needs per ADA are equal across districts.

Our analysis indicates, however, that in some program areas needs are clearly unequal. For instance, with respect to transportation (the largest program on the supplemental grants “list”), one study found per-pupil transportation costs to vary by as much as \$3,000. Needs related to such factors as poverty or limited proficiency in English—one or both of which are used to measure needs in the Economic Impact Aid (EIA) and child nutrition programs—also vary among districts. Table 18 identifies eight programs (including transportation and EIA) where per-pupil needs vary significantly. These eight programs account for \$639 million (51 percent) of the total amount of categorical aid associated with the 27 programs on the list used to determine entitlements to supplemental grants.

Including these programs on the list fails to promote the Legislature’s goal of achieving an equitable distribution of state funds because—by ignoring the variations in needs among districts—the approach leads to windfall gains to those districts receiving grants that do not have these needs. Removing these programs from the list would both (1) eliminate these windfall gains and (2) tend to benefit those districts that *do have* special needs.

Recommendation. For these reasons, we recommend that the Legislature delete eight specific programs from the list used to allocate supplemental grants where it is clear that needs vary significantly per ADA.

Consistent with this action, we further recommend that the Legislature transfer funds from the supplemental grants program to the Proposition 98 reserve, based on the appropriate amount needed (or desired) to continue efforts to achieve equalization of per-pupil funding for those programs remaining on the list. The amount still needed for equalization could be considerably less than the \$180 million proposed for supplemental grants (perhaps by over 50 percent), because the Legislature would no longer need to eliminate funding variations associated with those programs moved off of the list. We are unable to estimate the precise amount that would still be needed, because we are uncertain how much of the variation in total funding levels is associated with these programs. More precise information, however, will be available in March, after the SDE has completed calculating current-year entitlements. Based on this information, we will advise the Legislature during budget hearings on the amount still needed for equalization.

Any unnecessary funding that is transferred to the Proposition 98 reserve could be used for other high-priority education needs, including

(if the Legislature so wishes) revising the funding formulas in the EIA and transportation programs or expanding participation in the various other programs that we recommend be "moved off" the supplemental grants list.

In order to remove these programs from the list, the Legislature should adopt the following Budget Bill language in Item 6110-108-001:

1. Notwithstanding any provision of law to the contrary, for purposes of calculating the amounts specified in section 54761 of the Education Code, the Superintendent of Public Instruction shall exclude funding for those programs specified in sections 54761(a)(1)(B)(i)(II), (VI), (VIII), (IX), (XIII), (XXII), (XXIII), and (XXVI) of the Education Code, related to home-to-school transportation, foster youth services, pupil dropout prevention, Economic Impact Aid, Native American Indian education, reader services for blind teachers, child nutrition, and small school district bus replacement.
2. Notwithstanding section 54761(e) of the Education Code, school districts shall not expend the funds appropriated in this item for the purposes of the programs specified in sections 54761(a)(1)(B)(i)(II), (VI), (VIII), (IX), (XIII), (XXII), (XXIII), and (XXVI) of the Education Code.

Legislature Should Develop A Uniform Expenditure Control Policy

We recommend that the Legislature adopt a uniform policy on the amount of local flexibility to provide districts in the expenditure of categorical funds (including supplemental grants), so that districts are not arbitrarily treated differently.

A categorical program is one in which districts must spend the funds for the specific purpose provided. Thus, for example, districts must spend instructional materials funding only for textbooks and related supplies, and not for such things as curriculum development or class size reduction.

The supplemental grant program is also categorical in nature because current law places restrictions on how districts may spend these funds. Specifically, districts must spend supplemental grants only for the general purposes of one or more of the 27 programs listed in Table 18.

Unlike traditional categorical programs, however, districts have significantly more flexibility in determining how to spend supplemental grants funds, both because they (1) have a larger range of program activities from which to choose and (2) need not comply with the specific rules and regulations of the particular program. (They need only spend funding for the *general purposes* of the program.) Supplemental grants might therefore best be thought of as a "*semi-block grant*," where districts can choose, within some constraints, the purpose and manner in which to spend the grant funds.

Other Provisions Of Law Related to Expenditure Flexibility. Districts that primarily receive traditional categorical aid instead of supplemental grants have less local control over their expenditures. Although current law does allow schools to establish "school-based coordinated programs," in which they may commingle funds provided through certain categorical programs, schools may do so for only five of the 27 programs listed in Table 18, and schools must still ensure that the

DEPARTMENT OF EDUCATION—Continued

intended beneficiaries of each categorical program are served. With supplemental grants, on the other hand, local administrators have far greater flexibility in deciding for what purposes and for what populations to spend the funds.

Advantages and Disadvantages of Expenditure Flexibility. There are both advantages and disadvantages in providing local education agencies with flexibility in the expenditure of categorical funds. The primary advantages are that:

- Local administrators are more familiar with and responsive to local needs than are other levels of government, and can budget funds accordingly; and
- Greater local flexibility may allow local administrators to implement new, innovative approaches to serving special populations.

The primary disadvantages are:

- The state is less able to direct funds to programs having a high statewide priority—including programs serving special populations; and
- Locally-developed programs might not—in some instances—be as effective as the standard models endorsed by the state.

We cannot advise the Legislature on the specific amount of expenditure flexibility that it should provide to districts, for this is primarily a matter of legislative policy.

Policy Not Uniform. We do find, however, that current legislative policy treats districts inconsistently. Specifically, districts that mostly receive traditional categorical aid must spend the funds for specified purposes (such as on the gifted or on education technology), while those receiving supplemental grants may pick and choose. We see no reason for such an inconsistency.

For this reason, we recommend that the Legislature develop a uniform policy for all districts concerning expenditure flexibility. While we cannot advise the Legislature what the specific policy should be, some of the options it may wish to consider are:

- ***Creation of a “Semi-Block Grant” For All Districts.*** Under this option, funds received by districts under the programs listed in Table 18 would be consolidated into a “semi-block grant,” which could be spent for the general purposes of any of the programs on the list. As a result, districts currently receiving traditional categorical aid would have the same flexibility as those receiving supplemental grants. Programs—such as transportation or EIA—that the Legislature might move off the list of specified programs for funding allocation reasons (pursuant to our previous recommendation) could either be included or excluded from the semi-block grant, at the Legislature’s discretion.
- ***Use the Traditional Categorical Approach for All Districts.*** Under this option, the funds proposed for supplemental grants would

instead be dedicated to individual categorical programs. The Legislature could maintain the supplemental grant formula for the purpose of allocating funds, but specify an amount of each grant that must be spent on each program (adjusted for whatever the district already receives under other state programs). Alternatively, it could eliminate the supplemental grants program entirely and use the savings either (1) to expand traditional categorical programs—using need-driven allocation formulas—or (2) for other high-priority educational purposes.

- ***Use Performance-Based Waivers for All Districts.*** Under this option, the Legislature would initially apply the traditional categorical approach to all districts. However, the state would grant waivers from categorical restrictions for specific schools that can demonstrate specified levels of academic performance, both among its general student population and among special groups. This policy would potentially allow all schools and school districts greater flexibility, while still providing mechanisms for accountability in the use of funds.

Clarification Needed on Local “Maintenance of Effort”

We recommend that the Legislature clarify whether school districts must maintain existing levels of local expenditures in programs on which districts spend supplemental grants.

Current law explicitly requires that districts spend supplemental grant funds only for the purposes of the programs listed in Table 18. In interpreting these statutes, SDE has advised school districts that, in any program on which they wish to spend supplemental grants, they are required to maintain 1988-89 levels of *local* expenditures. This requirement is generally referred to as a “maintenance of effort” provision.

Advantages and Disadvantages of Maintenance of Effort. The advantage of a maintenance of effort provision is that it prevents districts from using supplemental grants to supplant, rather than supplement, local spending on the 27 program areas and thereby “free-up” funds that could be used for *other* program purposes. It thus ensures that the provision of supplemental grants will actually result in an expansion of one or more of the 27 program areas of priority to the Legislature, rather than in some other area.

There are, however, two disadvantages of a maintenance of effort provision.

First, it prevents districts from shifting funds to areas of critical need that have been identified at the local level but not the state level—thus restricting local control.

Second, it may result in technical problems in some cases. For instance, levels of local expenditures for programs such as instructional materials normally fluctuate greatly from year to year, depending on each district’s need for new textbooks. Many districts “save-up” local and state resources in order to buy a new set of textbooks immediately subsequent to a revision in the state’s list of approved materials. A maintenance of effort

DEPARTMENT OF EDUCATION—Continued

provision would require a district that, for this reason, had high levels of local spending in 1988-89 to *maintain* this level of spending in order to use supplemental grants for instructional materials—regardless of the ongoing availability of local resources for this purpose or its ongoing level of need.

Legal Status of Requirement Unclear. Despite the “controversial” nature of a maintenance of effort provision, the SDE is requiring such a provision because it believes that it was the intent of the Legislature that program expansion take place only in the 27 specified program areas. In a recent opinion (No. 25928), however, Legislative Counsel has indicated that because current law is silent regarding the Legislature’s intent on this issue, the statute cannot be construed as requiring such a strict maintenance of total effort.

Legislative Intent Should Be Clarified. The difference of interpretation between Legislative Counsel and SDE has caused a great deal of confusion among districts concerning what is both required and intended by current law. In order to clear up this confusion, and to minimize the need for potentially costly litigation to settle the matter, we recommend that the Legislature clarify whether districts need to maintain current levels of local spending. Should the Legislature decide to require such maintenance of effort, however, it may also wish to provide a mechanism for waivers and exemptions in cases where maintaining local levels of expenditures would result in technical problems or in unreasonable consequences.

b. Federal Drug and Alcohol Abuse Prevention Program (Item 6110-183-890)

Pursuant to the Drug Free Schools and Communities Act of 1986, the federal government provides the state with funds for education and intervention programs relating to drugs (including alcohol). Of the total amount received, 70 percent is allocated to the SDE for distribution to school districts, and the remainder is allocated (at the Governor’s discretion) to other state agencies—specifically, the Department of Alcohol and Drug Programs (DADP) and the Office of Criminal Justice Planning (OCJP). The OCJP also receives a large amount of state funding for school-based drug education programs (which the budget counts towards meeting Proposition 98 minimum funding requirements). More information on the budgets of these various agencies can be found in our analyses of Items 4200 and 8100.

Budget Projections Inaccurate

We recommend that the Legislature increase the amount budgeted for federal drug and alcohol abuse prevention by \$14.2 million to reflect a large, anticipated increase in federal funding. (Augment Item 6110-183-890 by \$14,184,000.)

As shown in Table 17, the budget projects \$20.5 million in federal funds for schools in 1990-91—the same amount as in the current year. (These amounts exclude \$525,000 for administration). Based on the most recent

information, however, we estimate that there will be as much as \$35 million available in the budget year, due to a significant increase in the amount of funding appropriated by Congress for the "war on drugs." This higher level of expected funding should be reflected in the state budget, in order to (1) provide authority for SDE to allocate the additional funds and (2) inform the Legislature of all available resources.

For these reasons, we recommend that the proposed amount be increased by \$14.2 million to more accurately reflect the expected availability of federal funding.

Priority for Services Should Be Given to High-Risk Students

We recommend that the Legislature adopt Budget Bill language directing (1) school districts to give priority in the expenditure of funds for drug prevention to students with the highest risk of engaging in substance abuse and (2) SDE to disseminate research findings to school districts.

School-based programs designed to prevent the use of drugs are generally of two types: (1) curriculum programs that are delivered to the general school population and (2) programs that are targeted to students who, for a variety of reasons, are using or *have a high risk* of using drugs (including children displaying risk factors at an early age). The broad-based, curriculum approach is used more extensively than the targeted approach.

Give Priority to Programs Serving High-Risk Youth. In our companion document, *The 1990-91 Budget: Perspectives and Issues*, we review the nature of drug use in California and the effectiveness of various prevention programs (not including tobacco)—including those conducted in schools. In this piece, we conclude that school districts should give priority to programs that serve "high-risk" youth in the expenditure of state and federal funds for prevention. The rationale for this conclusion is that (1) funds can be used most effectively when targeted to those with the highest risk of using drugs and engaging in other abusive behaviors, (2) experimental drug use among youth has been *declining* and those who go on to become heavy users are the youths who have many other social and behavioral problems, which makes it possible to identify them as "high-risk youth," and (3) most curriculum-based approaches directed at the general school population that have been rigorously evaluated have not been found to be effective.

While we do not believe that districts should be *precluded* from establishing comprehensive programs that incorporate a variety of approaches, our review indicates that, by encouraging districts to spend limited state and federal funds *first* on establishing effective programs that serve high-risk youth, the state would increase the cost-effectiveness of its drug abuse prevention efforts.

SDE Should Disseminate Research Findings. In addition, we believe that SDE should disseminate research findings on the various curriculum approaches that have been found to be ineffective—in order to dissuade districts from using these approaches. We found, during the course of our

DEPARTMENT OF EDUCATION—Continued

review, that few districts were familiar with the research literature in this area, and that a large number (39 percent of all districts) use a specific curriculum approach that researchers have found, in well-designed studies, not to result in reduced drug use.

Recommendations. For these reasons, we recommend that the Legislature direct SDE to (1) inform school districts that they should give priority in the use of state and federal funds to programs targeted to high-risk youth and (2) disseminate research findings on those broad-based curriculum approaches which have been found to be ineffective.

In order to implement these recommendations, we recommend the Legislature adopt the following Budget Bill language in Item 6110-183-890:

1. School districts shall give priority in the expenditure of these funds to establishing, expanding, or improving programs that target students at high-risk of abusing drugs (including alcohol). The Superintendent of Public Instruction shall (1) notify school districts of this policy, and (2) incorporate the policy into the department's quality review procedures.
2. The Superintendent of Public Instruction—in conjunction with the Office of Criminal Justice Planning and in consultation with the Legislative Analyst—shall summarize in writing the available research literature on program effectiveness and disseminate this information directly to all school districts. The Superintendent shall also incorporate this information into existing state programs of staff development and technical assistance.

Evaluation Plan Needed for Expenditure of Additional Funds

We recommend that the Legislature adopt Budget Bill language directing the State Department of Education to allocate a minimum of \$500,000 in federal funds for a longitudinal evaluation of the effectiveness of drug abuse prevention programs.

As mentioned above, and further discussed in our companion document *The 1990-91 Budget: Perspectives and Issues*, there have been a number of evaluations conducted of broad-based, curriculum programs—the vast majority of which has failed to confirm the effectiveness of this approach.

Much is known about what does *not* work in drug education; however, there is little hard evidence about what *does* work. Although we have concluded, for instance, that state and local drug policies should give greater emphasis to programs targeted to high-risk youth—for the reasons discussed above—there is little evidence concerning the types of program models that are most cost-effective. In addition, the effectiveness of instruction delivered through the school needs to be evaluated against approaches delivered in other ways (such as through the media, churches, or community groups).

At present, the state has no systematic plan for answering these questions. Although both DADP and SDE are funding some evaluations, these evaluations are of very limited scope, and will not address these questions in any systematic manner. Although OCJP is planning to conduct a more comprehensive evaluation in the future (in conjunction with other state agencies), it has not yet developed a plan, and so the

Legislature has no way of knowing (1) when the evaluation will be conducted and (2) what questions will be addressed.

In addition, recent federal amendments to the Drug Free Schools and Communities Act now *require* the state to evaluate the effectiveness of local drug abuse education and prevention programs and to report the results of the evaluation to the federal government on a biennial basis.

Longitudinal Evaluation Needed. Given both the Legislature's and the federal government's interest in fashioning a drug-use prevention strategy that works, we recommend that SDE, in cooperation with OCJP and DADP, contract for a major, longitudinal evaluation of drug prevention strategies. The evaluation would be funded from the additional federal funds for SDE appropriated by Congress, of which up to 10 percent (\$1.4 million) may be used for state-level activities. Of this amount, our analysis indicates that a minimum of \$500,000 would be needed to initiate a major evaluation undertaking.

Recommendation. Accordingly, we recommend that the Legislature set aside \$500,000 in federal funds for SDE to contract for an evaluation of drug abuse education and prevention programs. To implement this recommendation, we recommend the Legislature adopt the following Budget Bill language in Item 6110-183-890:

Of the funds appropriated in this item, the State Department of Education (SDE) shall use a minimum of \$500,000 for it to contract for a longitudinal evaluation to assess the effectiveness of local drug and alcohol abuse education and prevention programs. The evaluation shall primarily compare the cost-effectiveness of (1) various programs targeted to high-risk youth with one another, and (2) school-based approaches with more comprehensive, community-based approaches. The evaluation may also evaluate various curricular approaches.

It is the intent of the Legislature that (1) the evaluation be conducted for a minimum of three years, (2) at least \$500,000 in federal funds be appropriated annually for this purpose for the duration of the study, and (3) the study focus primarily use outcome measures, including data on student use.

The department shall establish an advisory committee to assist in the design of the evaluation and the selection of the contractor. The committee shall be composed of staff from the legislative fiscal committees and appropriate policy committees, the Legislative Analyst's Office, the Department of Finance, the Department of Alcohol and Drug Programs, the Office of Criminal Justice Planning, and other appropriate administrative agencies. The SDE shall obtain the written approval of the Legislative Analyst and the Department of Finance of the request for proposal prior to issuing it.

The SDE shall annually submit findings from the evaluation to the Legislature by January 1, beginning in 1992.

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

We recommend approval.

Pupil dropout prevention and recovery programs, authorized by Ch 1431/85 (SB 65, Torres), consist of several programs that attempt to either (1) prevent high school or junior high school students from dropping out or (2) facilitate these students' reentry into school or their transition to employment.

DEPARTMENT OF EDUCATION—Continued

Budget Proposal. The budget proposes \$11.7 million from the General Fund for dropout prevention and recovery programs in 1990-91. This is essentially the same level of funding as was appropriated in the current year and consists of:

- **Motivation and Maintenance Programs.** \$8.4 million to fund outreach coordinators and related program expenses at 200 participating schools.
- **Alternative Education and Work Centers.** \$1.4 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.
- **Educational Clinics.** \$1.6 million to fund educational clinics that provide dropouts with intensive, individualized instruction in order to prepare them for reentry into another educational program or entrance into the military.
- **Model Dropout Program Repository.** \$366,000 to fund the model dropout program repository, which provides grants to schools for replication of existing model programs.

Our analysis indicates that the proposed funding levels are justified; accordingly, we recommend approval as budgeted.

Evaluation Delayed. The *Supplemental Report of the 1989 Budget Act* required the SDE to provide the Legislature with an evaluation of the Alternative Education and Work Centers and the Educational Clinics by November 30, 1989. Specifically, the language required SDE to provide all of the following:

- A comparison of the cost-effectiveness of Alternative Education and Work Centers and Educational Clinics in increasing the total number of pupils completing high school graduation (or equivalency thereof) or re-enrollment rates;
- The extent to which the programs have been replicated throughout the state; and
- The actual costs of operating the Alternative Education and Work Centers.

At the time this analysis was written, the Legislature had not received SDE's evaluation. The SDE informs us that it intends to include information required by this supplemental report language in a more comprehensive evaluation of dropout programs, required by Ch 242/89 (SB 68, Torres), which is due to the Legislature on or before January 1, 1991 (with an update due by January 1, 1993). Specifically, Chapter 242 requires SDE to provide data on certain outcome measures, such as the number of youths who have participated in a dropout program and the resulting reduction in truancy and dropout rates; the number of dropouts who returned to school or other alternative education programs; and the number of youths who obtained employment. In addition, the statute requires SDE to analyze the cost-effectiveness of the dropout programs in improving the performance levels of these youths, in comparison with other programs that address high-risk youth.

We will review the results of the more comprehensive study and make recommendations as appropriate.

d. Driver Training (Item 6110-171-178)

The SDE administers a driver training program which authorizes districts to provide driver education through both a laboratory component (behind-the-wheel training) and a classroom component. School districts offering the laboratory driver training component are reimbursed for their actual costs in the prior fiscal year up to a maximum limit.

Chapter 924, Statutes of 1989 (SB 1440, Dills) raised this limit from \$80 to \$97 per nonhandicapped pupil, and from \$247 to \$290 for handicapped pupils. School districts may also receive reimbursement for 75 percent of the costs of replacing vehicles and simulators used in the laboratory phase of the program which exceed a specified per-pupil amount.

Table 17 displays funding for driver training in the prior, current, and budget years. The Governor's Budget proposes to continue the current-year funding level of \$21.2 million for driver training local assistance. These funds would be appropriated from the Driver Training Penalty Assessment Fund (DTPAF), which receives its revenues from traffic fines.

No Funding for Rate Increase

We find that the budget provides \$4.1 million less than the amount needed to fully fund a statutorily-required increase in driver training funding rates.

As noted, Chapter 924 increases the maximum level of per-pupil reimbursement to school districts for the laboratory phase of driver education. The budget, however, proposes to continue the current-year funding level for driver training—with no additional funding for the rate increase. In addition, the administration proposes Budget Bill language in Item 6110-171-178 that would limit the amount of funding for driver training to amounts appropriated in that item. The effect of this language would be to allow school districts to file claims for reimbursement based on the new funding rates, but to also allow SDE to prorate the amount of any deficiency across all districts. Finally, the administration proposes Budget Bill language which would limit reimbursement for vehicle and simulator costs, in order to eliminate the potential for double funding.

We estimate that the amount proposed in the Governor's Budget will be \$4.1 million (16 percent) less than the \$25.3 million necessary to fund statutorily-authorized reimbursements. If the Legislature chooses to appropriate funding for this purpose from the DTPAF, and it approves Control Section 24.10 (which transfers to the General Fund the unencumbered balance of the DTPAF on June 30, 1991), then this will result in an equivalent reduction in General Fund revenues. (Because the DTPAF receives its revenues from non-tax proceeds, such a revenue reduction would not result in any decrease in K-14 funding requirements pursuant to Proposition 98.)

DEPARTMENT OF EDUCATION—Continued

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 transportation programs is shown in Table 19.

Table 19
K-12 Education
Transportation Aid
1988-89 through 1990-91
(dollars in thousands)

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change from 1989-90	
				Amount	Percent
Home-to-school transportation.....	\$290,311	\$313,770	\$313,770	—	—
Small school district bus replacement	3,151	3,297	3,297	—	—
School Bus Demonstration Program ^a	—	37,000	22,627	—\$14,373	—38.8%
Totals	\$293,462	\$354,067	\$339,694	—\$14,373	—4.1%
Funding Sources:					
General Fund.....	\$293,462	\$317,067	\$317,067	—	—
Katz Schoolbus Fund (transfer from federal Petroleum Violation Escrow Account).....	—	37,000	22,627	—\$14,373	—38.8%

^a Discussed in Item 3360-001-465.

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

- **Small school district bus replacement (Item 6110-111-001(b))** —\$3.3 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 as is provided in the current year.
- **School Bus Driver Instructor Training program (Item 6110-001-178)**—\$903,000 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 \$12,000 (1.3 percent) over the current-year funding level.

As shown in the table, the Governor's Budget also proposes to appropriate \$22.6 million from the Katz Schoolbus Fund (funded by the federal Petroleum Violation Escrow Account (PVEA)) in Item 3360-001-465 for the school bus demonstration program. This program was established pursuant to Ch 1426/88 (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 \$37 million is estimated as current-year expenditures and \$22.6 million is proposed for the budget year.

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

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

We recommend the enactment of legislation to revise the existing home-to-school transportation funding formula, because the present formula results in an inequitable distribution of state 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.

Budget Proposal. The budget proposes \$313.8 million from the General Fund to fund home-to-school transportation in the budget year. This is the same amount as was appropriated for this item in the current year, with no adjustment for increases or decreases in district costs.

Funding Formula Needs Revision. In our publication, *The 1988-89 Budget: Perspectives and Issues*, we identified two major problems with the formula for distributing home-to-school transportation aid: (1) the formula does not relate reimbursement to actual costs and (2) the formula results in an inequitable distribution of state funds. In response to these problems, we prepared a supplemental analysis (dated June 15, 1989), in which we recommended the following solutions to the above problems:

- Funding should be provided for only those costs in excess of a specified amount (in effect a "deductible") because all local education agencies (LEAs—school districts and county offices of education) incur some "normal" transportation costs for which resources are available from the per-ADA revenue limit;
- Funding should be provided to fund no more than 80 percent of approved costs in excess of the "deductible" to provide an incentive for agencies to control costs;
- Funding in future years should be adjusted for changes in vehicle-miles traveled (rather than changes in ADA) with appropriate inflation adjustments as provided by the Legislature;
- LEAs providing their own transportation services should receive a bus depreciation allowance, because such costs are implicitly "built into" approved costs reported by LEAs that contract for transportation services; and
- LEAs providing their own transportation services should be required to set aside the bus depreciation allowance in a separate account for bus replacement and maintenance.

Our analysis continues to indicate that the current funding formula results in an inequitable distribution of state aid, and that these changes

DEPARTMENT OF EDUCATION—Continued

would best remedy this situation. Accordingly, we recommend the enactment of legislation to revise the formula, containing the elements specified above.

B. School Facilities Programs

School facilities programs include:

- Construction or modernization of school facilities;
- Deferred maintenance of school facilities (discussed in Item 6350, later in this *Analysis*);
- Emergency portable classrooms;
- Asbestos abatement programs (also 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 to school districts under these programs 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.

Statutory funding for the construction and modernization 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. In 1988, the voters approved two such measures totalling \$1.6 billion, including (1) the School Facilities Bond Act of 1988 (Proposition 75, which authorized the sale of \$800 million in bonds), and (2) the 1988 School Facilities Bond Act (Proposition 79, which authorized the sale of an additional \$800 million in bonds). As of January 1990, virtually all of the proceeds from these measures had been allocated to facilities aid programs.
- ***Tidelands oil revenues.*** Current law requires that \$150 million of these revenues be appropriated annually for school facilities programs. The Legislature, however, waived the statutory requirement in 1988-89 and 1989-90 because projections of tideland oil revenues indicated that there was insufficient revenues to support school facilities programs in those years. The Governor's Budget proposes to continue this practice in 1990-91 based on similar projections.

Table 20 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.

Table 20
K-12 Education
Revenues Available for School Facilities Aid ^a
1988-89 through 1990-91
(dollars in millions)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
<i>State Building Program (construction and modernization)</i>					
School Facilities Bond Act of 1988 (Proposition 75) ^b	\$716.0	\$34.0	—	—\$34.0	—100.0%
1988 School Facilities Bond Act (Proposition 79) ^b	451.0	349.0	—	—349.0	—100.0
1990 School Facilities Bond Acts (Proposed)					
June Bond Act	—	—	\$800.0	800.0	— ^c
November Bond Act	—	—	800.0	800.0	— ^c
Subtotals, state building program	(\$1,167.0)	(\$383.0)	(\$1,600.0)	(\$1,217.0)	(317.8%)
<i>Deferred Maintenance Program</i>					
General Fund ("excess repayments")	\$51.9	\$54.5	\$53.7	—\$0.8	—1.5%
General Fund (Prop. 98 implementation)	23.0	—	23.0	23.0	— ^c
Subtotals, deferred maintenance program	(\$74.9)	(\$54.5)	(\$76.7)	(\$22.2)	(40.7%)
<i>Emergency Classroom Program</i>					
School Facilities Bond Act of 1988 (Proposition 75) ^d	\$15.5	\$34.5	—	—\$34.5	—100.0%
Rental revenues	6.6	9.4	\$12.0	2.6	27.7
Subtotals, emergency classroom program	(\$22.1)	(\$43.9)	(\$12.0)	(—\$31.9)	(—72.7%)
<i>Year-Round School Programs</i>					
Incentives (General Fund and State School Fund)	\$34.8	\$43.0	\$51.5 ^e	\$8.5	19.8%
Orchard plan (General Fund)	0.3	0.3	0.3	—	—
Subtotals, year-round school programs	(\$35.1)	(\$43.3)	(\$51.8)	(\$8.5)	(19.6%)
<i>Asbestos Abatement Program (General Fund) ^f</i>	\$13.6	\$5.8	—	—\$5.8	—100.0%
<i>Federally-Funded Programs: ^g</i>					
Child care facilities	\$4.3	\$9.7	—	—\$9.7	—100.0%
Child care capital outlay	4.7	0.7	—	—0.7	—100.0
Air conditioning for year-round schools	9.2	0.4	—	—0.4	—100.0
Totals	\$1,330.9	\$541.3	\$1,740.5	\$1,199.2	221.5%

^a This table illustrates only revenue sources; this is not a fund condition statement and, accordingly, does not include any beginning balances. Details may not sum to totals due to rounding.

^b The 1988 bond funds were not fully apportioned in 1988-89, leaving balances for apportionments in 1989-90. A total of \$85 million of the 1988 bond act revenues was reserved for asbestos abatement (\$25 million) and air conditioning for year-round schools (\$60 million).

^c Not a meaningful figure.

^d These funds were originally appropriated in 1988-89 but were not fully spent; consequently, a balance remained available for reappropriation in the 1989-90.

^e Includes \$43.1 million set aside in the General Fund pending reform of the SB 327 incentive payment program.

^f Carried over from prior years' appropriations.

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

DEPARTMENT OF EDUCATION—Continued

Budget Proposal. The budget proposes to allocate a total of \$1.7 billion for school facilities aid during 1990-91 as follows:

- **School construction and modernization—\$1.6 billion from proposed general obligation bond measures.** The budget anticipates voter approval of two bond measures, one placed on the June 1990 ballot (\$800 million) and another on the November 1990 ballot (\$800 million). The budget does not allocate these proceeds to specific facilities aid programs.
- **Deferred maintenance—\$76.7 million from the General Fund.** These funds would be used to finance deferred maintenance projects and support the program's state administrative costs.
- **Emergency Portable Classroom program—\$12 million from portable classroom rentals.** These funds would be used to finance the construction, installation, and relocation of portable classroom facilities under the Emergency Classroom program.
- **Year-round schools—\$51.8 million from the General Fund.** The budget proposes to set aside in a General Fund reserve \$43.1 million for year-round school incentive payments for the program authorized by Ch 886/86 (SB 327, Leroy Greene), pending enactment of unspecified "reforms". The budget also proposes (1) \$8.4 million in funding for another year-round school incentive payment program, authorized by Ch 498/83 (SB 813, Hart), and (2) \$300,000 for grants to school districts participating in the "Orchard Plan" year-round school demonstration project, authorized by Ch 1246/87 (AB 1650, Isenberg).

In sum, the budget proposes a funding level of \$1.7 billion, which is \$1.2 billion, or 222 percent, *more* 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.

School Construction Need. There is no reliable estimate of the *need* for school facilities funding on a statewide basis. In lieu of this information, we can provide data on the volume of school districts' requests for assistance under the state Lease-Purchase program. Approximately 650 of the state's 1,010 school districts (64 percent of the total) participate in the state building program.

Currently, school district requests for state aid through the Lease-Purchase program far exceed the funding available for this purpose. Specifically, as of January 1990, the SAB had fully allocated the 1988 bond proceeds that remained in the current year for school construction and modernization projects. At the same time, the SAB had applications from school districts for \$5.5 billion in assistance, which it could not fund. If the voters approve the two proposed bond measures in 1990, the SAB will be able to fund \$1.6 billion of these outstanding requests.

School Facilities Inventory

We recommend that the Legislature adopt Budget Bill language, relative to the Deferred Maintenance program (discussed later in this analysis under Item 6350), requiring the Office of Local Assistance (OLA) to submit a revised work plan, by September 1, 1990, for the School Facilities Inventory (SFI) project. We further recommend that the Legislature adopt Budget Bill language relative to the Deferred Maintenance program, making funding under this program conditioned on district participation in all phases of the SFI project.

Chapter 1680, Statutes of 1984 (AB 2743, Hughes) directed the State Allocation Board (SAB) to develop an automated school facilities inventory and appropriated \$600,000 for the project from the State School Building Lease-Purchase Fund. The SFI is intended to provide the first *reliable* estimates of current and projected funding needs for K-12 facilities construction (new construction and modernization) and maintenance.

The information which the SFI is intended to provide would be very useful to the Legislature in developing state policy regarding the state's role in satisfying future funding requests for construction and maintenance projects. This is particularly true in view of the significant gap between demand for, and availability of, state funds to finance school construction and maintenance.

Activity to Date. Subsequent to the enactment of Chapter 1680, the SAB delegated responsibility for the SFI project to the OLA. In 1986, OLA prepared a feasibility study which projected a SFI completion date in January 1987. At that time, OLA began collecting information from school districts in three phases.

In phase I, OLA asked 12 questions about each district as a whole; in phase II, OLA asked 16 questions about each school site; and in phase III, OLA asked 29 detailed questions about each school building—such as the school building's age, use, and dimensions, as well as the age and characteristics of major building systems.

To date, OLA has spent approximately \$1.1 million on the program, including the initial appropriation (\$600,000) and additional amounts (\$500,000) from bond proceeds deposited in the State School Building Lease-Purchase Fund. OLA currently has the equivalent of 3.2 full-time positions dedicated to the project.

Problems With the SFI. Our analysis of the SFI project indicates that it suffers from two main problems.

First, the SFI database is not sufficiently complete to use for making reliable estimates of statewide facility needs. Currently, the SFI database has data from districts which represent less than 43 percent of the state's enrollment. While almost 100 percent of the state's 1,010 school districts reported phase I and II information, only about 700 districts provided OLA with phase III data. (OLA also estimates, however, that these reporting districts omitted reports on 10 percent of their sites.) In our opinion, statewide projections made with information from the districts which have reported would be of limited value, because these districts

DEPARTMENT OF EDUCATION—Continued

represent less than one-half of the state's total enrollment.

Second, our review indicates that the data collected to date for the SFI contains numerous errors and, consequently, is not even useful for making facilities-needs estimates—on a limited basis—for those districts that have participated in the project. For example, in reviewing a sample of 37 school districts' data on the number of students each district had the capacity to accommodate, we found that the data were clearly incorrect in 62 percent of the cases. In one extreme example, we found that one district with an actual enrollment of 31,000 students was shown to have the capacity to house only 2,800 students.

OLA explains that the poor response and high error rates stem from three interrelated causes: (1) the voluntary nature of the program, (2) the design of the data collection instrument, and (3) the existence of SFI system programming and data entry errors.

Problems With New SFI Work Plan. We asked OLA to prepare a work plan showing (1) how it will address the problems discussed above, (2) a time line for completing the SFI, given OLA's current level of staffing, and (3) the staff resources OLA would require to complete the SFI by June 30, 1991.

According to this work plan, OLA will complete the SFI by June 30, 1991 with *no additional resources* needed beyond the 3.2 staff positions currently dedicated to the project. Our review indicates, however, that the SFI problems were not completely addressed in the work plan. Specifically:

1. OLA provides little detail and few objective milestones in the work plan. Because of the relative lack of detail and objective milestones, we are unable to evaluate whether the work plan can, in fact, be completed with the existing resources by June 30, 1991. The work plan states that OLA will "actively pursue" school districts which are not now SFI phase III participants in order to encourage their participation. Yet, OLA presents no plan or time line for doing so.

In reviewing OLA's timing of milestones, we also noted that OLA provides no milestones for marking and measuring its progress from July 1, 1990 until the targeted completion date in June 1991. OLA also does not commit to interim deadlines for cleaning up database errors stemming from (a) phase III reports that were submitted with errors and omissions, (b) data entry errors, and (c) SFI system programming errors.

2. The SFI's scope continues to be too broad. OLA proposes to focus its data collection efforts on obtaining accurate and complete answers to all questions posed in phases I through III. Our analysis indicates that this proposed approach may not be the best one, because of the following factors:

- OLA overloaded school districts with requests for too much data during its initial data collection efforts, particularly during phase III. Consequently, many districts chose not to participate in this phase of the program.
- We estimate that at least one-third of the 29 questions asked in phase III are in excess of what is needed to evaluate funding needs five years into the future for new construction, modernization, and deferred maintenance.
- OLA appears to have collected data that districts have reported to it under other programs it administers. For example, the Deferred Maintenance program recently received five-year plans from districts detailing deferred maintenance needs totaling \$1.4 billion from 1988-89 through 1992-93.
- OLA now proposes to ask each district to review a report of all information submitted in phases I through III and make corrections and additions as needed. These district reports, in some cases, form a stack over a foot high, and they display raw unsummarized data from the SFI database. It is reasonable to assume that some of the districts, because of time constraints, will not respond to OLA's request, or will devote less time than needed to make an accurate response.

The foregoing analysis suggests that OLA should narrow the SFI's focus, and that it could do so and still satisfy the requirements of Chapter 1680. Specifically, we believe that OLA should employ a staged approach—first, obtaining from all districts accurate reports of information of *primary importance* to making facility needs projections, and later collecting data of secondary importance.

In pursuing this approach, OLA would focus on obtaining (1) accurate counts of classrooms—to project future need for new-school construction funding—and (2) accurate information on the age of each school building or any other key data—to indicate the future need for modernization funding. Once OLA has a “clean” database on a few important data items, it will then be prepared to expand the database and its collection efforts to include, for example, (1) information needed to improve the five-year deferred maintenance plans or (2) information that is not directly related to projecting funding needs for facilities aid.

We asked OLA whether it would be possible for it to build the SFI in stages, as we discussed above. It responded that it would be unable to do so without specific direction from the Legislature.

Because of the numerous problems we identified with both the content and the scope of the current work plan, we recommend that the Legislature adopt Budget Bill language relative to the Deferred Maintenance program (discussed later in this analysis under Item 6350), requiring OLA to submit a revised work plan by September 1, 1990 for the SFI project. Specifically, we recommend that the Legislature add Budget Bill language to Item 6350-101-001 as shown below. (We chose Item 6350 because this is a related program in which most districts participate.)

DEPARTMENT OF EDUCATION—Continued**Provisions:**

(-) By September 1, 1990, the Office of Local Assistance shall submit a revised work plan for the School Facilities Inventory program which encompasses a staged approach for data collection and/or verification, assumes that at least 90 percent of all school districts will participate in the program, and includes the following elements:

- An identification of the information to be collected or verified at each stage.
- A proposed redesign of both the phase III data collection instrument and the report used by the office to verify the accuracy of data reported by districts in phase III or in phase III as modified.
- Start dates; completion dates; measurable, quarterly milestones; staffing requirements; and detailed descriptions of the steps OLA will take to accomplish the following:
 - (1) Obtain and process phase III reports, as modified, from phase III non-participants and verify the accuracy of phase III data.
 - (2) Correct data entry and SFI system programming errors.
 - (3) Test the reliability of SFI district enrollment projections against the Department of Finance's enrollment projections by county.
 - (4) Test the database to determine whether it can be used to respond to ad hoc questions developed by the office in anticipation of their being asked by SFI users.

Condition Deferred Maintenance Funding on Participation. As noted, participation in the SFI project is voluntary. And, despite OLA's urging, it is unable to persuade over 300 of the state's 1,010 school districts to participate. Without the participation of many of these districts, OLA will be unable to make reliable statewide estimates of current and projected school facilities needs.

Our review indicates that participation in the SFI project could be greatly increased if districts were required to do so as a condition of receiving state deferred maintenance aid. (Under the Deferred Maintenance program, in which about 90 percent of the state's districts participate, the state provides dollar-for-dollar matching funding for districts' deferred maintenance needs. The budget proposes \$76.7 million for the program in 1990-91.)

Accordingly, we recommend that the Legislature also adopt the following Budget Bill language in Item 6350-101-001:

Provisions:

- (-) As a condition of receiving funds for deferred maintenance, a school district shall provide information requested by the Office of Local Assistance for the School Facilities Inventory project.

2. 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 about 4,800 portable classrooms available for rent at the close of the current year.

Districts rent portable classrooms from the SAB on a year-to-year basis, and the districts must annually justify their need to retain the facilities by showing that without them the district would be overcrowded in the ensuing year. Portable classrooms that are no longer needed, because of declining enrollments or the availability of new facilities, are to be relocated to another school site. According to the SAB, this rarely occurs, because enrollments tend to outpace capacity additions in most of the districts participating in the program.

Since the program's inception in 1979, the program has received a total of \$152 million in funding from tidelands oil revenues (\$87 million), the School Facilities Bond Act of 1988 (\$50 million), and the State School Building Lease-Purchase Bond Act of 1984 (\$15 million). With these funds, OLA purchases fully-furnished portable classrooms for approximately \$38,000 each, and administers the program at an annual cost of \$616,000.

Current law prohibits SAB from charging annual rents in excess of \$2,000 per unit. The rental income is used by the SAB for the construction, installation, and relocation of additional emergency classrooms. Portable classrooms are expected to have a useful life of 20 years.

Budget Proposal. The budget estimates that the program will generate \$12 million in rental income in 1990-91. (These funds are statutorily appropriated and, accordingly, there is no Budget Bill item for this program.) Our review indicates that this revenue estimate is overstated by about \$2.9 million. (After correcting for this overestimate, we find that that program's budget-year revenues will be roughly equivalent to those received in the current year.) According to the SAB, about 95 percent of the portable classrooms are leased at any one time. Therefore, if the SAB leases 95 percent of the 4,800 portable classrooms (4,560 portables) at \$2,000, the revenues will be \$9.1 million.

Current law authorizes the SAB, from any available funds, to allocate up to \$35 million annually for this program. Current law also declares legislative 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.

3. Year-Round School Incentives (Item 6110-224-001(a) and General Fund Set-Aside).

We withhold recommendation on \$51,546,000 from the General Fund for year-round incentives, pending completion of a legislatively-required report on the value of such incentives in reducing the need for school facilities construction.

School districts that mitigate overcrowding through the use of year-round school schedules may be eligible to receive incentive funds through programs authorized under two separate statutes:

- **Chapter 498/83 (SB 813, Hart).** The SB 813 program, which began in 1984-85, provides a flat-rate payment of \$25 per pupil, for every pupil attending an eligible year-round school.

DEPARTMENT OF EDUCATION—Continued

- *Chapter 886/86 (SB 327, L. Greene).* The SB 327 program, which began in 1987-88, provides a variable-rate payment of up to \$125 (as adjusted annually for inflation). These payments *also* are made to school districts for every pupil attending an eligible year-round school.

The SB 327 payments are intended to share with the affected school district the state's "savings" resulting from avoiding the costs of constructing a new school. The exact per-pupil amount a district may receive is based on a 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.

To qualify under either year-round program, school districts must be eligible to participate in the State School Building Lease-Purchase program, and they must mitigate overcrowding through the use of a "multitrack," year-round school schedule. Because of their similar eligibility criteria, both programs provide incentive payments to virtually the same group of school districts. In 1988-89, incentive payments were made under the SB 327 program to 29 districts which housed a total of 272,000 students in year-round schools. Twenty-five of those districts also received funding under the SB 813 program.

These programs have other common features. Specifically, both programs designate the incentive funding as general-purpose aid, which may be spent for any purpose the district chooses. In addition, both programs allow school districts to remain "in line" for state-financed new schools, while receiving the incentive funds.

The incentive payment programs received combined funding of \$34.8 million in 1988-89 and \$43 million in 1989-90 from the General Fund and the State School Fund.

Budget Proposal. In 1990-91, the Governor's Budget proposes funding for the two year-round school incentive programs of \$51.5 million from the General Fund. Of this, \$8.4 million is proposed for incentive payments under the SB 813 program, and the remaining \$43.1 million is set aside in a General Fund reserve for the SB 327 program, pending enactment of unspecified "reforms." (The set-aside is not reflected in the Budget Bill; however, it is shown as an expenditure in the Governor's Budget and is counted towards meeting Proposition 98 minimum funding requirements.)

Evaluation Pending. Chapter 886 requires the Legislative Analyst to report to the Legislature regarding the value of year-round education incentive funding in reducing the need for school facility construction. At the time this analysis was written, we were in the final stages of completing this report, which will evaluate and make recommendations on both incentive programs. We will be prepared to discuss our findings and recommendations at the time of budget hearings. Pending completion of this report, we withhold recommendation on both the \$8,453,000

from the General Fund for year-round incentive payments under the SB 813 program and the \$43,093,000 which is set aside in the General Fund pending the enactment of reforms to the SB 327 program.

4. Orchard Plan (Item 6110-224-001 (b))

We recommend that \$180,000 requested for the Orchard Plan pilot project be deleted and transferred to the Proposition 98 reserve because (1) the undisbursed past-year and current-year appropriations can be used for the pilot project in the budget year and (2) workload is less than budgeted in each of the three years. Consistent with this recommendation, we further recommend that the Legislature reappropriate the undisbursed balance of the past-year and current-year appropriations in Item 6110-490. (Reduce Item 6110-224-001 (b) by \$180,000, and amend Control Section 12.31 to transfer an equivalent amount to the Proposition 98 reserve.)

Chapter 1246, Statutes of 1987 (AB 1650, 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.

Chapter 1246 provides for each of the five participating districts to receive \$60,000 annually: (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; it was unable to recruit a fifth district and does not plan to continue this effort.

The budget proposal includes \$300,000 from the General Fund for the Orchard Plan program in the past, current, and budget years (total of \$900,000). Because four, rather than five, districts are participating in the pilot project, these amounts are \$60,000 more than needed in each year—or, a total of \$180,000 more than is needed over the three-year period. Accordingly, we recommend that \$180,000 of the \$300,000 requested for the Orchard Plan pilot project be deleted and transferred to the Proposition 98 reserve. Consistent with this recommendation, we further recommend that the Legislature reappropriate the undisbursed balance of both the past year and the current-year appropriation for the Orchard Plan pilot project by adopting the following Budget Bill language in Item 6110-490:

"(-) Item 6110-224-001, Budget Act of 1988, the undisbursed balance for the purpose of Section 37303 of the Education code, Orchard Plan pilot project."

"(-) Item 6110-224-001 (a), Budget Act of 1989, the undisbursed balance for the purpose of Section 37303 of the Education Code, Orchard Plan pilot project."

DEPARTMENT OF EDUCATION—Continued**5. Department of Education—School Facilities Planning Unit (Item 6110-001-344)**

We recommend approval.

The budget includes \$1.4 million from the State School Building Lease-Purchase Fund for support of the School Facilities Planning Unit in the SDE. This is an increase of \$21,000 (1.6 percent) above estimated current-year expenditures. This increase reflects 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)

The department's Office of Child Nutrition Services administers the State Child Nutrition and Pregnant and 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. Table 21 summarizes funds for child nutrition programs in the prior, current, and budget years.

Table 21
K-12 Education
Funding for Child Nutrition Programs
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
General Fund.....	\$1,478	\$1,555	\$1,602	\$47	3.0%
Federal Funds.....	6,549	7,231	7,887	656	9.1
Special Deposit Fund.....	—	5	—	—5	—100.0
Subtotals, State Operations.....	(\$8,027)	(\$8,791)	(\$9,489)	(\$698)	(7.9%)
Local Assistance					
General Fund.....	\$42,078	\$45,990 ^a	\$49,510	\$3,520	7.7%
Federal Trust Fund.....	474,704	540,000	540,000	—	—
Subtotals, Local Assistance.....	(\$516,782)	(\$585,990)	(\$589,510)	(\$3,520)	(0.6%)
Totals.....	\$524,809	\$594,781	\$598,999	\$4,218	0.7%

^a Number shown in Governor's Budget (\$46,770) does not reflect revised 1989-90 expenditure estimate.

The table shows that child nutrition programs are supported primarily by federal funds. The budget proposes an increase of \$698,000—or 7.9 percent—for state operations, and an increase of \$3.5 million—or 0.6 percent—for local assistance. The increase in state operations includes (1) \$404,000 in federal funds for an additional six positions to administer the federal Adult Day Care program and (2) \$80,000 in federal funds for staff support to existing model nutrition programs.

We recommend approval of the proposed funding levels for the following child nutrition programs, which are not discussed elsewhere in this analysis:

- **Nutrition education and training projects (Item 6110-021-001)**—\$593,000 from the General Fund for a program providing 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. We also recommend approval of associated state operations funding of \$176,000 in Item 6110-001-001 and \$80,000 in Item 6110-001-890. The state operations funding proposed for the budget year reflects new federal funds to provide staff assistance to two existing model programs designed to implement federal dietary guidelines in child nutrition programs.
- **Federal child nutrition programs (Item 6110-201-890)**—\$540 million from the Federal Trust Fund to provide nutrition subsidies to participating schools and eligible child care institutions under the following five programs: (1) National School Lunch, (2) School Breakfast, (3) Special Milk, (4) Child Care Food, and (5) Adult Day Care. The proposed budget maintains the same level of funding provided in the current year for local assistance. We also recommend approval of associated state operations funding of \$7.8 million in Item 6110-001-890. This amount represents a \$576,000 (8.0 percent) increase in federally funded state operations, including 6 positions to administer the new Adult Day Care program.
- **State child nutrition program (Item 6110-201-001 (a))**—\$49.2 million from the General Fund for State Child Nutrition subsidies (excluding the Pregnant and Lactating Students program) in order to provide a basic subsidy from the General Fund for each meal served by public schools, private not-for-profit schools, and nonprofit residential child care institutions and child care centers to pupils from low-income households eligible for free and "reduced price" meals. This is a 7.7 percent increase over the current-year funding level, and reflects an estimated 4.5 percent increase in the number of meals served and a 3.0 percent COLA. The proposed level of funding does not fully fund the 4.3 percent statutory COLA, which is based on the "food away from home" component of the Consumer Price Index for San Francisco and Los Angeles. The budget also proposes \$833,000 in associated state operations funding in Item 6110-001-001.

Pregnant and Lactating Students Program (Item 6110-201-001 (b))

The Meal Supplements for Pregnant or Lactating Students program authorizes food authorities participating in a federal nutrition program to be reimbursed for specified additional nutrition supplements served to students who are pregnant or lactating. The budget proposes \$278,000 to provide reimbursement for specified additional nutrition supplements served to students who are pregnant or lactating, \$1,000 (0.4 percent) less than in the current year. In the current year, participating agencies receive 63.5 cents for each full supplement served to eligible students, in addition to the basic rate for meal supplements. This amount includes an increase of 15 cents per supplement begun in July 1988 in an attempt to increase participation levels in the program.

DEPARTMENT OF EDUCATION—Continued
Surplus Funds Available

We recommend that the Legislature (1) reappropriate the undisbursed balance of the 1989-90 appropriation in Item 6110-490 for support of the Pregnant and Lactating Students program and (2) delete the proposed budget-year appropriation of \$270,000, for transfer to the Proposition 98 reserve, because participation in the program has not increased sufficiently enough to warrant the proposed level of spending. We further recommend that the Legislature reappropriate the undisbursed balance of the 1988-89 appropriation to the Proposition 98 reserve. (Reduce Item 6110-201-001 (b) by \$270,000, reappropriate 1989-90 balance in Item 6110-490, and amend Control Section 12.31 to transfer \$429,000 to the Proposition 98 reserve.)

Prior to implementation of the 15-cent rate increase, participation in the Pregnant and Lactating Students program had increased somewhat since the program was started in 1985-86, but remained at less than half of the levels funded in annual appropriations. (Please see the *Analysis of the 1988-89 Budget Bill*, page 894.) In a report provided by the SDE pursuant to the *Supplemental Report of the 1988 Budget Act*, the department concludes that the rate increase did not increase participation levels in the program.

Table 22 shows the participation rates in the program since its inception, the amount reimbursed annually, annual appropriations, and the annual undisbursed balance.

Table 22
K-12 Education
Pregnant and Lactating Students Program
1985-86 through 1990-91 ^a

	<i>Number of Supplements Served</i>	<i>Reimburse- ment Rate</i>	<i>Expendi- tures</i>	<i>Appropri- ation ^b</i>	<i>Undisbursed Balance</i>
1985-86	71,859	\$0.4000	\$28,744	\$285,000	\$256,256 ^c
1986-87	151,835	0.4124	62,617	294,000	231,383 ^c
1987-88	165,642	0.4291	71,077	306,000	234,923 ^d
1988-89 ^e	174,258	0.6072	105,809	265,000	159,191
1989-90 (Est.) ^f	200,397	0.6354	127,332	279,000	151,668
1990-91 (Est.) ^f	230,457	0.6545 ^g	150,834 ^g	278,000	127,166

^a Data from SDE and LAO extrapolations.

^b Includes COLA.

^c Balance has been reverted to the General Fund.

^d Balance will revert to the General Fund on July 1, 1990.

^e Data for 7/88 to 3/89, extrapolated to full year.

^f Data for 1989-90 and 1990-91 estimated to increase at a maximum rate of 15 percent, twice the average rate of increase since 1986-87.

^g Includes proposed 3 percent COLA.

The explanations provided by the SDE for why more schools and other agencies are not participating in the program indicate that, although most agencies are providing additional supplements to any pregnant or lactating students eligible for free and "reduced price" meals, the population is sufficiently small and transient that the additional effort to

apply for increased reimbursements is frequently not warranted. This is in spite of the fact that the SDE has made efforts to reduce the complexity of the reimbursement process as much as possible.

Table 22 shows that (1) participation has not increased in the current year sufficiently enough for all of the funds appropriated in the 1989 Budget Act to be used and (2) there are undisbursed balances from previous years. The undisbursed balances from 1985-86 and 1986-87 have reverted to the General Fund, and the balance for 1987-88 will revert on July 1, 1990. Because of limitations placed by Proposition 98 on reappropriations, the balances from 1988-89 and 1989-90 are available for reappropriation to the Proposition 98 reserve (rather than to the General Fund), and/or to fund the program in the budget year.

Table 22 also shows that the level of funding proposed in the budget does not appear to be warranted by projected increases in program participation. Specifically, we estimate that the *maximum* expenditures (including a 3 percent COLA) that could be incurred would be \$151,000, assuming that participation increases in the budget year at *twice* the average rate of increase since 1986-87. The table also shows that the estimated undisbursed balance remaining from the 1989 Budget Act appropriation (\$151,668) should be sufficient to cover these expenditures.

Accordingly, we recommend that the Legislature (1) delete \$270,000 requested to support this program in the budget year and transfer these funds to the Proposition 98 reserve and (2) adopt the following Budget Bill language to reappropriate the 1989-90 balance to fund the program in the budget year:

(—) Item 6110-201-001 (b), Budget Act of 1989, the undisbursed balance for the purposes of the Meal Supplements for Pregnant and Lactating Students program.

This action will provide approximately \$160,000 (including proposed COLA) in funding for the program—more than the maximum amount of funding we estimate will be required in 1990-91.

Because the 1988-89 undisbursed balance is also available for reappropriation, we further recommend that the Legislature adopt the following Budget Bill language in Item 6110-490 to reappropriate the undisbursed balance of the 1988-89 appropriation, \$159,191, to the Proposition 98 reserve:

(—) Item 6110-201-001 (b), Budget Act of 1988, the undisbursed balance for transfer to the Proposition 98 reserve (Control Section 12.31).

Together, these actions will fully fund any potential program growth, while providing an additional \$429,000 to the Proposition 98 reserve. Once funding needs for K-12 education are more accurately known (at the time of the May revision), the Legislature may then appropriate these funds for high-priority education purposes. (Please see our analysis of the Proposition 98 reserve—Control Section 12.31—for a discussion of options for the use of Proposition 98 funds.)

DEPARTMENT OF EDUCATION—Continued**Technical Issue—Authority for Reimbursement Rate Has Lapsed**

We recommend adoption of Budget Bill language authorizing the expenditure of funds for the Pregnant and Lactating Students program.

Chapter 1418, Statutes of 1988 (SB 2201, C. Green), provided a 15-cent increase in the reimbursement rate for the Pregnant and Lactating Students program for the period July 1, 1988 to June 30, 1989. Although statute does not provide a specific supplement reimbursement rate for meal supplements under the program after this period, the budget proposal assumes continued funding at the increased rate in the budget year. While the Budget Bill contains language authorizing expenditure of funds for the program, it is technically flawed because it does not establish the reimbursement rate.

In order to give the SDE the authority to provide reimbursements at the current-year rate (set in language in the 1989 Budget Act), increased by an appropriate COLA, we recommend adoption of the following Budget Bill language in lieu of Provision 3 of Item 6110-201-001:

Notwithstanding any provision of law to the contrary, the reimbursement rate for the Meal Supplements for Pregnant or Lactating Students program in 1990-91 shall be 29.58 cents for breakfast or a snack and 29.58 cents for lunch, or 59.16 cents for a morning supplement, in addition to the reimbursement provided under Education Code Section 49536. These amounts shall be increased as appropriate to reflect any COLA increases provided in Item 6110-226-001 (i) (2).

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 6110-196-001 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 23 summarizes funding for the prior, current, and budget years for child development programs. For 1990-91, the budget proposes a total funding level of \$359.3 million for child development local assistance—an increase of \$6.7 million (2 percent) over estimated current-year expenditures. This increase primarily reflects a proposed 3.0

percent COLA for most local assistance programs. (It is likely that an additional unknown amount of funding carried over from previous years—primarily from 1988-89—will be available in 1990-91.) The budget also proposes \$4.7 million for state operations—an increase of \$2,000 (less than 0.1 percent).

Table 23
K-12 Education
Child Development Programs
Expenditures and Funding
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
State Operations					
State Preschool.....	\$369	\$427	\$440	\$13	3.0%
Child Development.....	4,358	4,273	4,262	-11	-0.3
Subtotals, state operations.....	(\$4,727)	(\$4,700)	(\$4,702)	(\$2)	(—)
Local Assistance					
State Preschool.....	\$37,236	\$39,015	\$40,185	\$1,170	3.0%
Preschool Scholarship Incentive Program.....	(288)	(301)	(310)	(9)	(3.0)
General child care.....	208,576	218,015	224,555	6,540	3.0
Campus children's centers.....	6,459	6,699	6,900	201	3.0
School-Age Parenting and Infant Development (SAPID).....	6,941	7,263	7,481	218	3.0
Migrant child care.....	9,466	11,084	11,223	139	1.3
Special allowance for rent.....	441	461	475	14	3.0
Special allowance for handicapped.....	740	774	797	23	3.0
Alternative Payment.....	33,315	34,714	35,755	1,041	3.0
Resource and Referral.....	7,636	7,990	8,230	240	3.0
Campus Child Care Tax Bailout.....	4,191	4,385	4,517	132	3.0
Protective Services.....	1,069	1,157 ^b	1,153	-4	-0.3
California Child Care Initiative (Ch 1299/85).....	250	250	250	—	—
Child Supervision Program.....	336	—	—	—	— ^a
Extended day care (Ch 1026/85).....	16,111	16,859	17,365	506	3.0
School Age child care (PL 99-425).....	259	—	—	—	— ^a
Exceptional Need.....	—	446	459	13	2.9
Special projects (carryover).....	3,895	3,500	—	-3,500	-100.0
Subtotals, local assistance.....	(\$336,921)	(\$352,612)	(\$359,345)	(\$6,733)	(1.9%)
Totals.....	\$341,648^b	\$357,312	\$364,047	\$6,735	1.9%
Funding Sources					
General Fund.....	\$338,724 ^b	\$353,659	\$360,551	\$6,892	1.9%
Federal funds.....	2,775 ^b	3,650	3,492	-158	-4.3
State Child Care Facilities Fund.....	105	—	—	—	— ^a
Reimbursements.....	44	3	4	1	33.3

^a Not a meaningful figure.

^b All numbers reflect estimated or actual expenditures. Totals differ from amount displayed in the Governor's Budget.

Participation. Table 24 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, 480

DEPARTMENT OF EDUCATION—Continued

public and private agencies will provide subsidized child care services for an average daily enrollment of approximately 53,375 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) special allowance for handicapped.

Table 24
K-12 Education
Child Development Services
Participation
1989-90

<i>Program</i>	<i>Number of Contracting Agencies</i>	<i>Average Days of Service^a</i>	<i>Average Daily Enrollment^b</i>
General child care—public	104	246	27,407
General child care—private	205	245	13,427
General child care— family day-care homes.....	24	253	1,455
Campus children's centers.....	49	185	1,252
State migrant.....	22	160	1,983
Federal migrant.....	10	118	1,521
Alternative Payment.....	66	250	6,330
Totals.....	480	— ^c	53,375

^a Weighted average.

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

^c Not a meaningful figure.

In 1989-90, the programs served approximately 120,000 children, including those enrolled part- and full-time.

Legislative Oversight: Staff Ratio Study

In the *Analysis of the 1989-90 Budget Bill*, we recommended 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 from 1:8 to 1:10 (on an enrollment basis) for preschool-aged children served through subsidized child development programs. Our analysis indicated that this ratio would be sufficient to 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. In addition, we estimated that the 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.

Subsequent to budget hearings on this issue, the Legislature enacted Ch 81/89 (SB 230, Roberti), which—among other provisions—requires

the SDE to conduct a study of the impact on the quality of care resulting from adult:child ratios of 1:8, 1:9, and 1:10. The statute specifies that SDE shall hire an independent contractor to conduct the study, and that the study shall utilize data from a minimum of 200 classrooms or 25 percent of the existing child development sites. The measure requires SDE to submit a final report, based on this study, by January 15, 1992.

Status. The department indicates that it has budgeted "carryover" funds—local assistance funds that were encumbered for 1988-89 but not expended—for the purposes of hiring an independent contractor to conduct this study. The SDE will convene a research advisory panel to write a request for proposals (RFP) by February 22, 1990. The SDE will release the RFP on March 9, 1990, review and score proposals by May 11, 1990, and issue the contract by July 10, 1990. The department plans to submit the report to the Legislature on schedule, by January 15, 1992. We will continue to monitor the department's progress and report to the Legislature as appropriate.

Fiscal Sanctions on Certain Latchkey Programs to Be Reinstated

We recommend that the State Department of Education report during budget hearings on (1) the improvements in School Age Community Child Care ("latchkey") program providers' compliance with enrollment guidelines since 1988-89, (2) the number of providers who still are not in compliance, and (3) the fiscal and programmatic effects of reinstating sanctions on these providers.

Under the School Age Community Child Care ("latchkey") program established by Ch 1026/85 (SB 303, Roberti), the SDE contracts with child care providers to provide state-subsidized care before and after school for children in kindergarten through grade 9. The SDE reimburses up to 50 percent of the providers' costs.

Chapter 1026 also specified that the programs must enroll equal numbers of subsidized and unsubsidized children. Programs that could not meet this requirement would be subject to fiscal sanctions. Specifically, the providers would not be compensated for one half the costs of operation.

Because certain providers were unable to fill the required percentage of enrollment slots with children *not* subsidized by SDE, the success of the program was threatened. Consequently, the Legislature approved language in the 1988 and 1989 Budget Acts which required the Superintendent of Public Instruction (SPI) to provide technical assistance to latchkey providers to help them to comply with the unsubsidized enrollment requirements. The language specifies that the fiscal sanctions would not be in effect for 1988-89 and 1989-90. During this period of time, providers could receive compensation for all of their enrollment slots. On July 1, 1990, however, the full fiscal effect of the sanctions will resume.

Analysis. While the Legislature's intent, as expressed in the statute, is to serve both subsidized and unsubsidized children in the latchkey program, the Legislature also approved Budget Bill language to facilitate the transition to full enrollment, with half the slots subsidized and half the

DEPARTMENT OF EDUCATION—Continued

slots unsubsidized. Given that certain providers had difficulty in complying with these requirements previously, we have cause to question whether their situation is significantly different now. To better understand the potential effects of impending fiscal sanctions, the Legislature needs an update on the viability of the latchkey program at this juncture.

Accordingly, we recommend that the SDE report during budget hearings on the improvements in compliance that have taken place since 1988-89, the number of latchkey providers that are unable to fill one-half of their enrollment with nonsubsidized slots, and the fiscal and programmatic effects of reinstating fiscal sanctions.

Governor Proposes Different Priorities for Carryover Funds

We recommend that the Legislature review the Governor's proposed priorities for expenditure of child care "carryover" funds—local assistance that has been encumbered but not expended in previous fiscal years—in light of its priorities as specified in the 1989 Budget Act.

In the 1989 Budget Act, the Legislature specified a list of priorities for the appropriation of unspent child care funds "carried over" from the previous fiscal years. Specifically, the Legislature required that (1) the SDE develop an expenditure plan for funds in excess of the amount necessary to pay local assistance contracts and (2) the funds be distributed as follows:

- Not less than 50 percent for direct services.
- Not less than 20 percent for staff development.
- Not less than 20 percent for one-time-only special projects which will directly benefit children, including data collection and research.

The *Supplemental Report of the 1989 Budget Act* required the SDE to submit its expenditure plan by January 1, 1990. At the time this analysis was written, the department was still in the process of developing the plan.

Budget Proposal. The Governor proposes a different set of priorities for the use of child care carryover funds in 1990-91. Specifically, the Budget Bill contains identical language requiring the SDE to prepare an expenditure plan for the carryover funds, but requires the following distribution of funds:

- Not less than 80 percent for direct services; and
- Not less than 10 percent for one-time only special projects which will directly benefit children, including data collection and research.

Our review indicates that, if the *Legislature's* priorities were adhered to, up to an additional 30 percent of child care carryover funds would be available for staff development and special projects. The Governor's proposal consequently is substantially different from the list of preferences which the Legislature expressed in the 1989 Budget Act. Therefore, we recommend that the Legislature review the Governor's proposal in light of the Legislature's priorities.

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 1989-90, average daily attendance in adult education will be 199,500 in K-12 schools and 86,500 in the community colleges. In addition, we anticipate that adult education providers will serve the equivalent of 133,000 ADA under the federal Immigration Reform and Control Act (IRCA), which provides amnesty for specified undocumented individuals.

Table 25 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 of the *Analysis*.)

We recommend approval of the proposed funding shown in Table 25 for the following adult education programs, which are not discussed elsewhere in this analysis:

- **Federal Adult Basic Education Act (Item 6110-156-890)**— \$11 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.
- **Adults in Correctional Facilities (Item 6110-158-001)**— \$2.7 million from the General Fund for education of adults in correctional facilities. This is a \$140,000 increase over the current-year funding level. It includes \$77,000 for a 3.0 percent COLA and \$63,000 for enrollment growth of 2.5 percent.
- **Immigration Reform and Control Act (IRCA)—Control Section 23.50**—\$142.8 million from the State Legalization Impact Assistance Grant (SLIAG) fund to provide English as a Second Language (ESL) and citizenship instruction to undocumented individuals applying for amnesty under IRCA. The proposed amount is a \$40 million decrease below the current-year funding level. The decrease reflects a projected decline in the number of individuals anticipated to be served—from approximately 600,000 individuals in the current year to 400,000 in the budget year.

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

The budget proposes a General Fund appropriation of \$287 million for school district-operated programs. This is a net increase of \$15.3 million (5.6 percent) above estimated expenditures in the current year, which includes (1) \$8.4 million for a 3.0 percent COLA and (2) \$6.8 million for a 2.5 percent increase in enrollments in the areas of ESL, basic skills instruction, and the Greater Avenues for Independence (GAIN) program.

In addition to the amounts discussed above, the budget proposes (1) \$13.6 million from the General Fund (in Control Section 22.00) for educational services provided to welfare recipients participating in the GAIN program, which we discuss in greater detail in Item 5180 of this

DEPARTMENT OF EDUCATION—Continued

Analysis, and (2) \$142.8 million in SLIAG funds for individuals granted amnesty under IRCA.

Table 25
K-12 Education
Adult Education Funding
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> 1989-90	
				<i>Amount</i>	<i>Percent</i>
<i>State Operations</i>					
General Fund.....	\$211	\$222	\$302	\$80	36.0%
Federal funds.....	1,099	979	950	-29	-3.0
Special Deposit Fund.....	118	227	305	78	34.4
State Legalization Impact Assistance					
Grants (SLIAG).....	1,953	2,608	2,140	-468	-17.9
Reimbursements.....	6	—	—	—	—
Subtotals, state operations.....	(\$3,387)	(\$4,036)	(\$3,697)	(-\$339)	(-8.4%)
<i>Local Assistance</i>					
General Fund					
School districts.....	\$254,492	\$271,579	\$286,845	\$15,266	5.6%
Correctional facilities.....	2,231	2,512	2,652	140	5.6
GAIN excess ADA.....	15,000	13,500	13,600	100	0.7
Subtotals, General Fund.....	(\$271,723)	(\$287,591)	(\$303,097)	(\$15,506)	(5.4%)
SLIAG.....	\$137,697	\$182,693	\$142,800	-\$39,893	-21.8%
Federal funds.....	8,398	11,006	11,006	—	—
Reimbursements.....	92	—	—	—	—
Subtotals, local assistance.....	(\$417,910)	(\$481,290)	(\$456,903)	(\$-24,387)	(-5.1%)
Totals.....	\$421,297	\$485,326	\$460,600	-\$24,726	-5.1%
Personnel-years.....	21.2	33.9	30.5	-3.4	-10.0%

Alternative Formula for Allocating Adult Education Growth Funds

We find that the Department of Education's alternative allocation formula for adult education growth funds meets the intent of the Legislature by basing allocations on unmet need (taking into account existing adult education resources). We recommend that the Legislature review the alternative formula during budget hearings.

Consistent with current practice, the budget proposes to target \$6.8 million proposed for adult education growth to the areas of ESL and basic skills, including services provided under the GAIN program.

The budget also proposes that the Superintendent of Public Instruction 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 skills funds, in the past, the Superintendent has also allocated these funds based on LEP counts.)

Background of Alternative Funding Formula. In last year's *Analysis*, we questioned this traditional method of allocating adult education growth funds. The primary problem we identified is that the method

allocates growth funds on the basis of *total* need rather than *unmet* need. Specifically, the higher a district's LEP count, the more funds for which it becomes eligible, regardless of the amount of ADA that the state already funds in that district.

Because of this, the Legislature directed the SDE to develop an alternative methodology for allocating adult education growth funds which considers the amount of existing adult education resources available in each high-priority area, so that funds can be allocated based on unmet need rather than total need.

Alternative Allocation Formula. The SDE developed an alternative formula in December 1989 which eliminates the use of the K-12 LEP count to allocate growth funds. The alternative funding formula consists of two distinct parts relating to small school districts and larger school districts.

1. Small school districts. School districts which have an adult education enrollment "cap" of 300 ADA or below would be funded at their current adult education revenue limit rates up to an additional 100 ADA over cap or the amount that was actually generated, whichever is less. For example, in 1988-89, the Central Unified School District's cap was 10 ADA; their actual ADA, however, was 56. Under the proposed formula, the SDE would allocate the district an additional 46 ADA, rather than the 5 ADA that would be allocated under the traditional formula. Alternatively, if this school district's actual ADA was 110 or more, under the alternative formula, the SDE would allocate it 100 additional ADA over its 10 ADA cap.

2. Large school districts. For school districts which have a cap of 301 ADA or more, the ADA generated in ESL and basic skills courses would be calculated as a percentage of the district's ADA cap. Based on the outcome of this calculation, allocation of additional ADA (above a district's cap) would be as follows:

- 2 percent increase for serving up to 10 percent of currently funded ADA in ESL and basic skills;
- 5 percent increase for serving between 11 percent and 50 percent in ESL and basic skills;
- 7 percent increase for serving between 51 percent and 75 percent in ESL and basic skills; and
- 10 percent increase for serving between 76 percent and 100 percent or more in ESL and basic skills.

For example, in 1988-89, the Hacienda-La Puente Unified School District (HLUSD) served 1,928 ADA in the ESL and basic skills program areas within its total ADA cap of 5,251. The ADA in ESL and basic skills accounted for 37 percent of its below-cap ADA. Under the proposed SDE allocation formula, the HLUSD would receive an additional 263 ADA (5 percent) over its ADA cap, while under current practice it would receive only 62 ADA.

Alternatively, in 1988-89, the Montebello Unified School district (MUSD) served 4,585 ADA in ESL and basic skills, while its total ADA cap was only 2,838. The ADA served in ESL and basic skills accounted for

DEPARTMENT OF EDUCATION—Continued

162 percent of its available ADA. Under the SDE proposal, the MUSD would receive an additional 284 ADA (10 percent) over its ADA cap, rather than 221 ADA under current practice.

In addition, the SDE alternative indicates that (1) only school districts that are operating at or above cap would be eligible for adult education growth funds, (2) SDE would reduce a district's calculated growth ADA to the ADA that is actually generated if the adult school is unable to grow or serve its approved additional ADA, and (3) SDE would reallocate, on a prorated basis, any unused funds to those districts for which actual ADA served exceeds the growth allowance.

Conclusions. We find that the alternative formula for allocating growth funds meets the intent of the *Supplemental Report of the 1989 Budget Act* by eliminating the reliance on the K-12 LEP counts for allocating growth funds and, instead, attempting to allocate growth funds by taking into account a district's use of existing adult education resources in the high-priority program areas of ESL and basic skills.

Based on our initial review, the new formula appears promising. However, because SDE only recently released its report, we believe further consideration of the formula by all interested parties during legislative budget hearings would be appropriate before proceeding to implement the new formula.

C. Office of Food Distribution (Item 6110-001-687)

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 26 shows the value of food distributed, as well as the costs of administering the Surplus Food program, from 1988-89 through 1990-91. During the budget year, the OFD will distribute an estimated \$79 million in donated food commodities—the same level as in the current year. The table also shows an expenditure of \$13.4 million for administrative costs in 1990-91—an increase of \$125,000, or 0.8 percent, from estimated 1989-90 expenditures.

Donated Food Revolving Fund Should be Continuously Appropriated

We recommend the enactment of legislation which (1) continuously appropriates the Donated Food Revolving Fund (DFRF) to the State Department of Education (SDE) and (2) requires the DOF to report annually, in the Governor's Budget, on Office of Food Distribution annual expenditures, the DFRF balance, and the level of current handling fees.

Table 26
State Department of Education
Office of Food Distribution—Surplus Food Program ^a
Distribution Activity and Program Costs
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> <i>1988-89</i>	<i>Est.</i> <i>1989-90</i>	<i>Prop.</i> <i>1990-91</i>	<i>Change From</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
Distribution Activity:					
Total value of food distributed.....	\$99,678	\$79,000 ^b	\$79,000	—	—
Number of agencies participating.....	2,700	2,700	2,700	—	—
State Administration:					
State administrative costs ^c	\$9,256	\$13,278	\$13,403	\$125	0.9%
Personnel-years.....	82.7	104.0	104.0	—	—

^a Donated Food Revolving Fund.

^b Reflects loss of approximately \$20 million in dairy "bonus" commodities due to reduced volume support from USDA.

^c The state is fully reimbursed for these costs through fees charged to local agencies.

Under current law, funding for the OFD is annually appropriated from the DFRF through the Budget Act. Funds in the DFRF come from processing and handling charges paid by local agencies receiving food. The level of handling charges is determined by the fund balance in the DFRF: if funds are insufficient to cover handling costs, the OFD raises fees and, conversely, if the fund balance remains high, the OFD reduces fees.

The amount of funding needed by the OFD in any given year is determined by the amount of food available for distribution, and is generally not known at the time the budget is enacted. In addition, the amount of food donated by the federal government varies from year to year. In order to give the OFD sufficient budget authority to respond to the receipt of unpredictable amounts of food commodities, the Legislature has in the past appropriated an amount far in excess of expected expenditures.

Our analysis indicates that, because the amount of the appropriation bears no relation to the actual level of expenditures from the fund, annual appropriation of the DFRF does not enhance legislative oversight of OFD activities. We also find, however, that the annual reporting of certain information by the OFD *would* help ensure that fee levels are not set "too high" (resulting in a growing fund balance) or "too low" (resulting in a decreasing balance). Accordingly, we recommend the enactment of legislation to continuously appropriate the DFRF. In order to maintain legislative oversight of fees charged by the OFD, we also recommend that this legislation require DOF to report annually, in the Governor's Budget, on (1) actual expenditures for the previous year and estimated expenditures for the current year, (2) the fund balance in the DFRF, and (3) the level of fees charged to local agencies.

DEPARTMENT OF EDUCATION—Continued**D. Private Postsecondary Education Division (Item 6110-001-305)**

We recommend that the Legislature adopt supplemental report language requiring the Private Postsecondary Education Division to prepare a final close-out report on its workload and operations prior to handing over its duties to the newly created, independent Council for Private Postsecondary and Vocational Education.

The SDE's Private Postsecondary Education (PPED) division regulates private schools in the state, and is the administrative arm of the advisory 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. (This fund partially reimburses students when private postsecondary institutions close before students have completed their instructional programs.)

PPED Duties to be Transferred to New Council. Two recently enacted statutes—Ch 1239/89 (AB 1402, M. Waters) and Ch 1307/89 (SB 190, Morgan)—implement numerous reforms to improve the licensing and regulation of private postsecondary institutions. Specifically, they establish new minimum standards for such institutions and allow for an increase in the fees charged to these institutions for authorization, approval, and licensure.

Chapter 1307 further establishes an independent Council for Private Postsecondary and Vocational Education (CPPVE), as of July 1, 1990. From July 1, 1990 until January 1, 1991, the statute specifies that the council will elect a chairperson, develop goals and policies, and complete other tasks as specified. During this period, the PPED will continue to remain responsible for oversight of private postsecondary institutions and provide certain administrative support to the CPPVE. On January 1, 1991, the PPED's responsibility for oversight and administration of private postsecondary institutions, as well as state staff and funding resources, will be transferred from the SDE to the new CPPVE.

Budget Proposal. The budget proposes \$2.1 million to support the division's operations from July 1, 1990 to December 31, 1990. Of this amount, \$1.4 million is from the Private Postsecondary Education Fund, \$606,000 is from federal funds, and \$70,000 is from the Student Tuition Recovery Fund. The budget also proposes 32.0 personnel-years to support the six months of PPED's operations.

As discussed later in our analysis of Item 6880, the budget also proposes to provide \$2.1 million (and 30.4 personnel-years) to support the operations of the newly created CPPVE from January 1, 1991 to June 30, 1991.

Thus, the *total* amount of funding related to the regulation of private postsecondary institutions proposed for 1990-91—\$4.2 million—is \$1.1 million (37 percent) above the current-year amount. The *total* number of personnel-years proposed—62.4—is 18.7 personnel-years (43 percent) above the current-year amount.

Given the workload and revenue information currently available, our analysis indicates that the proposed PPED budget is reasonable. We

further note that Chapter 1307 requires the California Postsecondary Education Commission (CPEC) to make recommendations on the council's budget needs by October 1990. CPEC staff indicate that some preliminary information on PPED and the new council may be available prior to the end of budget hearings. We will report at budget hearings, should such information become available.

Additional Information Needed from PPED. We find that the Legislature, in its oversight capacity, will need—in addition to the budget information to be analyzed by CPEC—other *administrative* information in order to assess how well Chapters 1307 and 1239 are being implemented. Specifically, we find that the Legislature will need information on the status of the following issues:

- ***Development of a Comprehensive Management Information System (MIS).*** A November 1989 Auditor General report states that the PPED “does not consistently maintain sufficient documentation to allow us to determine whether it complies with current law for reviewing institutions.” Our analysis indicates that this may be due, at least in part, to the critical need for a comprehensive MIS. The PPED staff indicate that it has developed procedures for addressing the Auditor General's concerns, and that it will pursue the development of an MIS in the future.
- ***Planning for Lease and Accounting Agreements.*** As noted, the total number of PPED and CPPVE staff will almost double in the budget year. The PPED indicates that it will need additional space to accommodate the new staff, and will pursue new lease agreements this spring. The PPED and the CPPVE will also need to determine whether the central accounting functions currently provided by the SDE (such as payroll and contracting duties) will be provided during the transition phase by the SDE or by the Department of General Services (which performs similar duties for various small agencies).
- ***Completing Case Backlogs.*** The SDE indicated in a November 1989 letter to the Auditor General that it “is in the process of identifying its case backlog with the intention of completing as many backlogged and current [private postsecondary institution] visits as possible before transfer of its functions to the new council on January 1, 1991.”
- ***Implementing New Requirements.*** Chapters 1307 and 1239 also require the PPED to complete other tasks related to vocational education testing and the evaluation of certain schools with high loan default rates (in conjunction with the Student Aid Commission), prior to the transfer of its duties to the Council.

To provide the Legislature with the information it needs to oversee the PPED's activities (and, as of January 1, 1991, the CPPVE's activities), we recommend that the PPED report to the Legislature by December 31, 1990 on the status of the issues mentioned above. (We make a related recommendation in our analysis of Item 6880-001-305.) Accordingly, we recommend that the Legislature adopt the following supplemental report language in Item 6110-001-305:

DEPARTMENT OF EDUCATION—Continued

The State Department of Education shall provide a close-out report on the activities of the Private Postsecondary Education Division to the legislative fiscal committees, the Joint Legislative Budget Committee, the Department of Finance, the California Postsecondary Education Commission, and the Student Aid Commission by December 31, 1990. This report shall include information on the status of (1) the development of a comprehensive Management Information System and related filing system; (2) the provisions for leasing space and accomplishing accounting, payroll, and contracting duties; (3) the completion of backlogs in private postsecondary institution approvals, visits, and revenue collections; and (4) the implementation of the new requirements specified in Ch 1307/89 and Ch 1239/89.

IV. STATE DEPARTMENT OF EDUCATION

This section discusses the overall administrative budget for the SDE, as well as those administrative activities that are not tied to a particular local assistance item. 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 27 shows state operations expenditures for the SDE (excluding the state special schools, the Office of Food Distribution, the Private Postsecondary Education Division, and the State Library) in the prior, current, and budget years. The budget proposes \$108 million in 1990-91, including \$50 million from the General Fund and \$45.4 million from federal funds. The General Fund amount is \$2.2 million (4.2 percent) below the estimated current-year level.

Significant General Fund Changes in 1990-91

Table 28 shows the elements of the \$2.2 million net decrease in General Fund support proposed for SDE in the budget year. As the table shows, the budget proposes (1) net baseline reductions of \$2.5 million, (2) an increase of \$250,000 to fund a study of the feasibility of reorganizing the Los Angeles Unified School District into several smaller districts, and (3) an increase of \$88,000 to fund earthquake and hazard preparedness assistance to school districts.

As the table shows, the net baseline reduction of \$2.5 million includes a reduction of \$3.4 million for a federal audit exception. This reduction is associated with a decrease (from \$6.8 million in the current year to \$3.4 million in 1990-91) in the amount being repaid the federal government, due to previous overcharges of unemployment insurance costs for federally-supported school district employees.

Table 27
Department of Education
K-12 Education Programs
State Operations Funding^a
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
Funding:					
General Fund ^b	\$41,364	\$52,157	\$49,978	-\$2,179	-4.2%
Federal funds	39,744	44,488	45,361	873	2.0
State School Building Lease-Purchase					
Fund	1,049	1,341	1,362	21	1.6
SLIAG	1,953	2,608	2,140	-468	-17.9
State Child Care Facilities Fund	105	—	—	—	—
Special Deposit Fund	224	1,185	1,260	75	6.3
Instructional Materials Warehouse and					
Shipping	237	324	327	3	0.9
Tobacco Use Prevention	—	—	900	900	— ^a
Driver Training Penalty Assessment Fund..	793	891	903	12	1.3
Subtotals	(\$85,469)	(\$102,994)	(\$102,231)	(-\$763)	(-0.7%)
Reimbursements	\$4,946	\$6,628	\$5,787	-\$841	-12.7%
Totals	\$90,415	\$109,622	\$108,018	-\$1,604	-1.5%

^a Excludes state special schools, Office of Food Distribution, Private Postsecondary Education, and State Library.

^b Includes Fiscal Oversight and Management Assistance.

^c Not a meaningful figure.

Table 28
Department of Education
Proposed 1990-91 General Fund Changes
State Operations^a
(dollars in thousands)

1989-90 Expenditures (Revised)	\$52,157
Baseline Adjustments	
Salary and benefits increases	\$668
One-time bilingual evaluation	-280
Federal audit exception	-3,356
Other baseline adjustments	451
Subtotal, baseline adjustments	(-\$2,517)
Program Changes	
Los Angeles Unified study	\$250
Earthquake and hazard preparedness	88
Subtotal, program changes	(\$338)
1990-91 Expenditures (Proposed)	\$49,978
Change from 1989-90:	
Amount	-\$2,179
Percent	-4.2%

^a Excludes state special schools, Office of Food Distribution, Private Postsecondary Education, and State Library.

Personnel. The budget proposes a total of 1,327.9 personnel-years (PYs) supported from all funds in 1990-91 (excluding the state special schools,

DEPARTMENT OF EDUCATION—Continued

State Library, Private Postsecondary Education Division, and Office of Food Distribution)—an increase of 8.6 PYs from 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:

- ***Environmental Compliance for School District Reorganizations***—\$149,000 (funded from reimbursements) to establish a new position in the department to ensure that school district reorganizations comply with the California Environmental Quality Act.
- ***Earthquake and Hazard Preparedness***—\$88,000 to establish a new position in the department to assist school districts in preparing for earthquakes and other hazards.

L.A. Unified Reorganization Study

We recommend the deletion of \$250,000 from the General Fund for a study on the feasibility of reorganizing Los Angeles Unified School District, because the Legislature has already funded a major study on this subject and it is not clear what additional information would be gained by another study. (Reduce Item 6110-001-001 by \$250,000 and delete provision 6 of this item.)

The Governor's Budget proposes \$250,000 from the General Fund "for the State Board of Education to conduct a study regarding the feasibility of reorganizing Los Angeles Unified School District (LAUSD) into several smaller districts." Neither the SDE nor the Department of Finance were able to provide any information on the specifics of this proposal.

Our review indicates that it is inappropriate to include funding in the Budget Bill for such a study, for two reasons.

First, the Legislature has already funded a major study on this subject. Specifically, the 1981 Budget Act appropriated \$100,000 for the Legislative Analyst to contract for a study examining the feasibility of reorganizing LAUSD. The study, conducted by the Evaluation and Training Institute and submitted in May 1982, contained an exhaustive review and analysis of various alternative modes of reorganization, as judged by criteria of (1) educational quality, (2) fiscal efficiency, (3) fiscal equity, (4) constitutionality, (5) community access and involvement, and (6) feasibility of implementation.

The study gave the current district organization a "good" rating with respect to feasibility, a "marginal" rating with respect to quality of education, and "poor" ratings with respect to the remaining four criteria. The study also concluded that, while no redistricting alternative offered a complete solution to the problems of LAUSD, the highest-rated alternative would be to dissolve all boundaries of LAUSD and other districts in Los Angeles County and create a number of new, autonomous and independent districts.

Second, the Legislature has recently considered and rejected a similar proposal. Specifically, AB 3800 (La Follette) of the 1987-88 Session—as introduced—would have appropriated \$100,000 for the Legislative Analyst to contract for a plan for the deconsolidation of LAUSD. The bill was

subsequently amended to appropriate \$215,000 for the SDE to conduct a study on school district size and its impact on efficiency and service delivery. This measure failed passage in the Assembly Ways and Means Committee in 1988.

Absent a clearer indication of how the proposed study would (1) differ from the proposal recently rejected by the Legislature and (2) provide information not already available in the earlier LAUSD study, we believe that it is unnecessary to provide funding in the Budget Bill for this purpose. Accordingly, we recommend that the \$250,000 requested for the LAUSD study in 1990-91 be deleted, for an equivalent (non-Proposition 98) General Fund savings. If legislation to conduct this study is approved by the Legislature, funding for this purpose can be included in that measure.

Review of SDE Reports

Supplemental report language to the 1989 Budget Act required the SDE to submit to the Legislative Analyst, by October 1, 1989, a list of all reports prepared by the department on an ongoing basis. This listing was also to specify (1) whether the report is statutorily required or discretionary and (2) the estimated cost and funding sources of each report. The supplemental language further required the Legislative Analyst to review this information and provide comments and recommendations in the 1990-91 *Analysis*, as appropriate, on the relative costs and benefits of these reports.

Because we did not receive the final listing of reports from SDE until January 10, 1990, we were unable to complete an in-depth review of this information prior to our publication deadlines. We will continue to review this information and, if warranted, prepare a supplemental analysis for legislative review during budget hearings with our comments and recommendations.

DEPARTMENT OF EDUCATION—STATE LIBRARY

Item 6120 from the General
Fund and the Federal Trust
Fund

Budget p. E 23

Requested 1990-91	\$59,752,000
Estimated 1989-90	60,209,000
Actual 1988-90	58,127,000
Requested decrease (excluding amount for for salary increases) \$457,000 (−0.8 percent)	
Total recommended reduction	None

DEPARTMENT OF EDUCATION—STATE LIBRARY—Continued
1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6120-011-001—Main support	General	\$11,334,000
6120-011-890—Federal support	Federal Trust	1,661,000
6120-211-001—Local assistance	General	13,979,000
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		<u>\$59,752,000</u>

*Analysis
page*

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

1. California Literacy Campaign. Recommend adoption of Budget Bill language requiring the California State Library to obtain Department of Finance approval prior to spending California Literacy Campaign funding for purposes other than direct grants to libraries. 950

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, Sutro, 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 188.4 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

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 \$45.9 million for the State Library in 1990-91—a decrease of \$496,000 (1.1 percent) below the current-year level. Total expenditures, including federal funds and reimbursements, are proposed at \$59.8 million—\$457,000 (0.8 percent) below the current-year level.

Table 1
California State Library
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
Reference services for the Legislature and state agencies	\$3,428	\$2,518	\$1,946	-\$572	-22.7%
Statewide library support and development	2,967	3,028	3,114	86	2.8
Special clientele services	1,851	1,795	2,088	293	16.3
Support services	4,766	5,978	6,025	47	0.8
Subtotals, state operations	(\$13,012)	(\$13,319)	(\$13,173)	(-\$146)	(-1.1%)
Local Assistance					
Public Library Foundation	\$20,600	\$20,600	\$20,600	—	—
California Literacy Campaign	5,035	3,902 ^a	4,063	\$161	4.1%
Families for Literacy program	600	628	628	—	—
Other statewide library support and development	18,880	21,760	21,288	-472	-2.2
Subtotals, local assistance	(\$45,115)	(\$46,890)	(\$46,579)	(-\$311)	(-0.7%)
Totals	\$58,127	\$60,209	\$59,752	-\$457	-0.8%
Funding Sources					
General Fund	\$45,190	\$46,409	\$45,913	-\$496	-1.1%
Federal funds	12,915	13,622	13,661	39	0.2
California Library Construction and Renovation Fund	—	156	156	—	—
Reimbursements	22	22	22	—	—

^a Reflects proposed reversion of \$1,366,000 (Item 6120-495).

Table 2 identifies the major changes in the State Library budget proposed for 1990-91. The table shows that the total net decrease of \$457,000 includes (1) General Fund reductions of \$496,000 and (2) a net increase from federal funds of \$39,000. Baseline adjustments include a \$762,000 decrease from the General Fund and a \$244,000 decrease from federal funds. Program changes include (1) \$266,000 from the General Fund for the Braille and Talking Book Library and (2) \$283,000 in federal funds for acquisition of geneological materials and planning for a statewide library network.

The table also reflects a proposed reversion of \$1.4 million to the General Fund from the California Literacy Campaign in the current year. Because fewer projects were begun than were anticipated, the program's funding requirements have decreased. The budget proposal continues the revised baseline requirements, as adjusted to meet budget-year program needs, and is thus sufficient to maintain existing projects and expand the program to 15 additional libraries in 1990-91. (Please see Item 6120-495 for a more complete discussion of this issue.)

DEPARTMENT OF EDUCATION—STATE LIBRARY—Continued

Table 2
California State Library
Proposed 1990-91 Budget Changes
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Federal Funds</i>	<i>Other</i>	<i>Totals</i>
1989-90 expenditures (revised)	\$46,409 ^a	\$13,622	\$178	\$60,209
Baseline Adjustments				
Employee compensation	\$140	\$24	—	\$164
Adjustments for nonrecurring expenses	-591	-268	—	-859
Reduction in COLA funding	-881	—	—	-881
Transaction-base reimbursement system workload increases	409	—	—	409
California Literacy Campaign requirements	161	—	—	161
Subtotals, baseline adjustments	(-\$762)	(-\$244)	—	(-\$1,006)
Program Changes				
California Braille and Talking Book Library	\$266	—	—	\$266
Acquisition of geneological materials	—	\$175	—	175
Planning for a statewide library network	—	108	—	108
Subtotals, program changes	(\$266)	(\$283)	—	(\$549)
1990-91 expenditures (proposed)	\$45,913	\$13,661	\$178	\$59,752
Change from 1989-90:				
Amount	-\$496	\$39	—	-\$457
Percent	-1.1%	0.2%	—	-0.8%

^a Reflects proposed reversion of \$1,366,000 (Item 6120-495).

Legislative Oversight: COLA Diverted from Foundation Program

In the 1989 Budget Act, the Legislature provided the State Library local assistance program with \$1.6 million for a 4.64 percent COLA. This amount was calculated based on the entire local assistance budget for the State Library, including the Public Library Foundation (PLF).

The funding was appropriated in the State Department of Education budget for transfer to the State Library for General Fund local assistance. Due to a technical error, however, the budget did not authorize transfer of any COLA funding to the PLF.

Rather than seek authority to spend the appropriate amount of COLA funds on the PLF (as was apparently intended by the Legislature), the State Library spent the *entire* amount on its various other local assistance programs. Specifically, the State Library used approximately \$900,000 of the COLA funding for various one-time expenditures, as well as increasing the baseline level of funding available to local assistance programs by about \$650,000.

Library Local Assistance (Item 6120-211-001)

We recommend adoption of Budget Bill language requiring the California State Library to obtain approval from the Director of Finance, with notification to the Joint Legislative Budget Committee and fiscal committees, prior to spending California Literacy Campaign funding for purposes other than direct grants to libraries adopting the program.

The California Literacy Campaign (CLC) was established by the State Library in 1983 with \$2.5 million in one-time federal funds, and is administered under the California Library Services Act. Its mission is to provide financial and technical assistance to local public libraries to enable the establishment of adult literacy programs. The budget proposes \$4.1 million for the CLC, an increase of \$161,000 (4.1 percent) above the revised current-year level.

As noted earlier, the budget proposes to revert \$1.4 million in current-year funding. If the funds had not been proposed for reversion, the State Library had planned to use the \$1.4 million in surplus grant funds in the current year for one-time purposes related to the CLC program.

There is currently no requirement that the State Library seek approval for its expenditures under the CLC. Our analysis indicates that it is reasonable for the State Library to have discretion over the grant awards made to libraries adopting literacy programs. Expenditures from CLC funds for other purposes, however, may potentially conflict with legislative priorities for the use of these funds, and should therefore be reviewed by the Legislature.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 6120-211-001:

Of the amount appropriated in Schedule (a) for the California Literacy Campaign, no funds shall be expended for purposes other than direct grants to libraries according to the five-year funding formula used by the State Library in 1989-90 without approval of the Director of Finance. Such approval may not be authorized sooner than 30 days after notification to the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

STATE LIBRARY—REVERSION

Item 6120-495 from the General
Fund

Budget p. E 23

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes to revert to the General Fund the unencumbered balance (\$1,366,000) of Item 6120-211-001, Budget Act of 1989, for the California Literacy Campaign.

The 1989 budget for the Literacy Campaign reflected the estimated first-year costs of beginning 20 new projects plus the ongoing costs of existing projects, based on a cost-sharing formula instituted by the State Library. In 1989-90, however, only five projects were actually begun, due to a lack of applications. Our analysis indicates that the budget proposal

STATE LIBRARY—REVERSION—Continued

reflects the correct amount of funding to be reverted, and we recommend that it be approved.

CALIFORNIA STATE SUMMER SCHOOL FOR THE ARTS

Item 6255 from the General
Fund and Special Deposit
Fund

Budget p. E 39

Requested 1990-91	\$1,296,000
Estimated 1989-90	1,288,000
Actual 1988-89	930,000
Requested increase \$8,000 (+0.6 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6255-001-001—Support	General	—
—Support	Special Deposit	\$700,000
Transfer from Item 6110-001-001	General	596,000
Total		\$1,296,000

GENERAL PROGRAM STATEMENT

The California State Summer School for the Arts (CSSSA) was established by Ch 1131/85 (SB 45, Garamendi), and reauthorized by Ch 1515/88 (SB 2266, Garamendi) 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 1990-91. This amount includes \$596,000 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 represents an increase of \$8,000, or 0.6 percent, above estimated current-year expenditures.

Chapter 1515, which was enacted prior to passage of Proposition 98, provides that funding for the CSSSA shall be provided from K-12 school apportionments (which otherwise count towards meeting Proposition 98 minimum funding requirements). Because funding for the CSSSA does

not count towards meeting Proposition 98 requirements, however, the budget proposes to provide support for the CSSSA from the State Department of Education state operations budget item, in lieu of the mechanism specified in Chapter 1515. Our review indicates that this funding mechanism is appropriate and, consequently, we recommend approval as budgeted.

CALIFORNIA STATE COUNCIL ON VOCATIONAL EDUCATION

Item 6320 from the General

Fund and Federal Trust Fund

Budget p. E 41

Requested 1990-91	\$329,000
Estimated 1989-90	335,000
Actual 1988-89	317,000
Requested decrease (excluding amount for salary increases) \$6,000 (-1.8 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6320-001-001—Support	General	\$104,000
6320-001-890—Support	Federal Trust	225,000
Total		\$329,000

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 (AB 257, Johnston).

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 \$329,000, excluding salary increases, from state and federal funds to support the SCOVE in 1990-91. This is a decrease of \$6,000 (1.8 percent) from estimated current-year expenditures, and is sufficient to maintain the current-year level of service.

CALIFORNIA OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Item 6330 from the Federal
Trust Fund

Budget p. E 42

Requested 1990-91	\$220,000
Estimated 1989-90	224,000
Actual 1988-89	206,000
Requested decrease (excluding amount for salary increases) \$4,000 (-1.8 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6330-001-890—COICC, support	Federal Trust	\$210,000
Reimbursements	—	10,000
Total		\$220,000

GENERAL PROGRAM STATEMENT

The California Occupational Information Coordinating Committee (COICC) was established by Ch 972/78 (AB 2020, Lockyer), 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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's Budget proposes a total of \$220,000 (\$210,000 from the Federal Trust Fund and \$10,000 in reimbursements), excluding salary increases, for support of the COICC in 1990-91. This is a decrease of \$4,000, or 1.8 percent, from estimated expenditures in the current year, and is sufficient to maintain the current-year level of service.

SCHOOL FACILITIES DEFERRED MAINTENANCE AND ASBESTOS ABATEMENT

Item 6350 from the General
Fund

Budget p. E 43

Requested 1990-91	\$76,832,000
Estimated 1989-90	77,745,000
Actual 1988-89	76,870,000
Requested decrease (excluding amount for salary increases) \$913,000 (-1.2 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6350-101-001—Local assistance	General	\$23,000,000
Education Code Section 17780—Local assistance	State School Deferred Maintenance	53,558,000
Education Code Section 17780—Support	State School Deferred Maintenance	174,000
6350-201-001—Local assistance	General	100,000
Total		<u>\$76,832,000</u>

GENERAL PROGRAM STATEMENT

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 Deferred Maintenance program and two programs providing local education agencies with matching grants for asbestos abatement.

Deferred Maintenance. "Deferred maintenance" refers to projects that are needed to maintain, rather than change or enhance, a school facility. Examples of such projects include re-roofing, re-paving blacktop areas such as playgrounds, and re-glazing and re-caulking windows. In 1988-89, approximately 900 school districts and county offices of education received Deferred Maintenance program funds.

The SAB apportions funds from the State School Deferred Maintenance Fund on a dollar-for-dollar matching basis to school districts for their deferred maintenance projects. The state match for the Deferred Maintenance program is currently provided from state General Fund "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.

Chapters 82 and 83, Statutes of 1989 (SB 98, Hart and AB 198, O'Connell), revised the calculation of each district's maximum apportionment from one that is based on each district's unique local general fund and adult education budget to one that is based on an average budget (of districts of similar size and type) per unit of average daily attendance (ADA), times each district's own ADA. A district is eligible for an amount of state matching funds, or a "basic apportionment", that

SCHOOL FACILITIES DEFERRED MAINTENANCE AND ASBESTOS ABATEMENT—Continued

is equal to one-half of one percent of the figure calculated above. The effect of the new formula is to equalize, on a per-ADA basis, the amount of deferred maintenance aid that each school district may receive.

Current law also authorizes the SAB to provide an "additional apportionment," equal to the basic apportionment discussed above, to the extent that the Legislature appropriates funds for this purpose. (To date, the Legislature has not done so.) In addition, districts may apply for hardship funds for critical maintenance projects which (1) must be carried out in the ensuing year and (2) cost more than the combined state and local contributions to the district for deferred maintenance. Under current law, the SAB may reserve no more than 10 percent of the funds available for deferred maintenance for critical hardship requests.

Asbestos Abatement. The SAB also allocates funds to school districts under two asbestos abatement programs. The first program, the School Facilities Asbestos Abatement program (SFAAP), was established in 1984 for the purpose of providing matching grants to school districts for the containment or removal of asbestos materials. The second program, the Lease-Purchase Asbestos Abatement program (LPAAP), was established in 1988 to provide matching grants to abate (remove or encapsulate) or replace hazardous asbestos materials in schools closed by the Division of Occupational Safety and Health in the Department of Industrial Relations, in schools closed by a court order, or in schools closed for a "non-district-related reason."

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, SFAAP received a total of \$25 million in state funds for matching grants to school districts (\$24.8 million) and for state operations (\$250,000). As of this analysis, all but \$1.3 million of the local assistance funds had been encumbered.

In 1988-89, the LPAAP received \$25 million in bond proceeds from the 1988 School Facilities Bond Act (Proposition 79 which authorized the sale of \$800 million in general obligation bonds). This measure authorized the SAB to use up to \$100 million of the bond proceeds for the identification, assessment, and abatement of hazardous asbestos materials. Any amount not used for LPAAP matching grants was to fund school construction projects under the State School Building Lease-Purchase program. The SAB chose to allocate \$25 million to LPAAP and the remaining \$75 million to the Lease-Purchase program. According to the SAB, \$9.2 million of the \$25 million in bond proceeds had been encumbered for asbestos abatement as of January 1990.

ANALYSIS AND RECOMMENDATIONS

In total, the budget proposes funding of \$76.8 million in 1990-91 for deferred maintenance (\$76.7 million) and for asbestos abatement (\$100,000). Table 1 shows funding for the three programs from 1988-89 through 1990-91.

Table 1
Deferred Maintenance and
Asbestos Abatement
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	Actual 1988-89	Estimated 1989-90	Proposed 1990-91	Change From 1989-90	
				Amount	Percent
<i>Program</i>					
Deferred Maintenance program	\$74,899	\$54,516	\$76,732	\$22,216	40.8%
School Facilities Asbestos program.....	— ^a	— ^a	—	—	—
Lease-Purchase Asbestos program ^b	1,871	23,129	—	-23,129	-100.0
Transfer to Department of Industrial Relations	100	100	100	—	—
Totals, expenditures	\$76,870	\$77,745	\$76,832	-\$913	-1.2%
<i>Funding Sources</i>					
General Fund	\$74,999	\$54,616	\$76,832	\$22,216	40.7%
Special Fund	1,871	23,129	—	-23,129	-100.0

^a The budget shows an unencumbered balance of \$4 million as of June 30, 1988 and no expenditures in 1988-89 or 1989-90 for this program. According to the State Allocation Board (SAB), as of January 1990, \$1.3 million was left unencumbered.

^b Although the budget shows that the full \$25 million available for this program was encumbered as of June 30, 1989, the SAB indicates that only \$1,871,000 was encumbered by that date. According to the SAB, the balance will be encumbered in 1989-90.

Deferred Maintenance (Item 6350-101-001)

We recommend approval.

The \$76.7 million available for the Deferred Maintenance program in 1990-91 includes \$53.7 million in excess repayments and \$23 million in a General Fund augmentation to the program's base funding. This augmentation is a continuation of a \$23 million General Fund augmentation made to the 1988-89 program by Proposition 98 implementing legislation (Ch 82/89—SB 98, Hart). The available funds would be transferred to the State School Deferred Maintenance Fund and \$174,000 would be used to support state administrative costs. The budget-year proposal represents an increase of \$22.2 million (41 percent) over current-year expenditures.

Information from the SAB indicates that in the current year there is \$54.5 million available in excess repayments to fund state operations (\$339,000) and an estimated \$160 million in deferred maintenance requests for (1) the basic apportionment (\$92 million), (2) the additional apportionment (\$53 million), and (3) "critical hardship" requests (\$15 million). Thus, the funding shortfall compared to these requests is approximately \$105.8 million. 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.

Our analysis indicates that the proposed \$23 million General Fund augmentation will not be sufficient to prevent another shortfall in the budget year. In view of the continuing shortfall in funds, we find that the

SCHOOL FACILITIES DEFERRED MAINTENANCE AND ASBESTOS ABATEMENT—Continued

budget request for an additional \$23 million in funds will be readily utilized, and we recommend that it be approved.

Asbestos Abatement (Items 6350-201-001 and 6350-111-973)

We recommend approval.

The budget proposes to revert to the General Fund the unencumbered balance, as of the end of the current year, of funds appropriated for the SFAAP. Although the budget estimates that \$4 million will revert, at the time this analysis was written, only \$1.3 million was unencumbered.

The budget also proposes to appropriate \$100,000 from the General Fund to the Asbestos Abatement Fund in 1990-91 to reimburse the Department of Industrial Relations (DIR) for its monitoring of asbestos abatement projects. This is the same level of funding as is provided in the current year. Because school districts will continue during the budget year to conduct asbestos abatement projects with program funds encumbered in previous years under both asbestos abatement programs, 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

Budget p. E 50

Requested 1990-91.....	\$11,455,000
Estimated 1989-90	11,742,000
Actual 1988-89	10,367,000
Requested decrease (excluding amount for salary increases) \$287,000 (−2.4 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6360-001-407—Support	Teacher Credentials	\$8,499,000
6360-001-408—Support	Test and Administration Account, Teacher Credentials	2,956,000
Total		\$11,455,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|--|-------------------------|
| 1. Outcomes of Teacher Preparation Programs. Recommend the adoption of supplemental report language directing the Commission on Teacher Credentialing to prepare a plan and cost proposal for collecting specified outcome data from teacher preparation programs. | Analysis
page
961 |
|--|-------------------------|

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 examinations, and (5) establishing policy leadership in the field of teacher preparation. The commission has 119 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget, as shown in Table 1, proposes appropriations totaling \$11.4 million from the Teacher Credentials Fund (including the Test Development and Administration Account) for support of the commission in 1990-91. This is a decrease of \$287,000, or 2.4 percent, below estimated current-year expenditures.

Table 1
Commission on Teacher Credentialing
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Change from</i> <i>1989-90</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Programs</i>					
Credential issuance and information	\$3,731	\$4,449	\$4,372	-\$77	-1.7%
Professional services	5,562	6,587	6,363	-224	-3.4
Professional standards	1,074	706	720	14	2.0
Administration	1,285	1,918	2,004	86	4.5
Distributed administration	-1,285	-1,918	-2,004	-86	-4.5
Totals, expenditures	\$10,367	\$11,742	\$11,455	-\$287	-2.4%
<i>Funding Sources</i>					
General Fund	\$1,100	\$1,100	—	-\$1,100	-100.0%
Teacher Credentials Fund ^a	6,321	7,102	\$8,499	1,397	19.7
Test Development and Administration Account	2,878	3,540	2,956	-584	-16.5
Reimbursements	68	—	—	—	—
Personnel-years	123.9	119.2	111.9	-7.3	-6.1%

^a Excludes funds in the Test Development and Administration Account.

Table 2 shows a decrease in the commission's budget of \$287,000 that is primarily due to one-time expenditures in the current year and several miscellaneous adjustments. In addition, the budget proposes the following three significant changes:

- **Change in Funding Source for the New Teacher Project**—The budget proposes to fund \$1.1 million for the New Teacher Project from the Teacher Credentials Fund, rather than—as is the case in the current year—from the General Fund.
- **Revision of Subject Matter Examinations**—The budget proposes \$412,000 from the Test Development and Administration Account to improve or validate five certification examinations.
- **Automation Project**—The budget proposes \$187,000 from the Teacher Credentials Fund for the upgrading of eleven positions

COMMISSION ON TEACHER CREDENTIALING—Continued

associated with the computer automation of records, and related operating expenses.

Table 2
Commission on Teacher Credentialing
Proposed 1990-91 Budget Changes
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Teacher Credentials Fund^a</i>	<i>Test and Adminis- tration Account</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$1,100	\$7,102	\$3,540	\$11,742
<i>Baseline Adjustments</i>				
New Teacher Project (fund source shift)	-\$1,100	\$1,100	—	—
Personnel increases	—	50	\$4	\$54
Price increases	—	75	18	93
Nonrecurring expenditures ^b	—	-867	-580	-1,447
Miscellaneous adjustments	—	385	-510	-125
Subtotals, baseline adjustments	-\$1,100	\$743	-\$1,068	-\$1,425
<i>Program Changes</i>				
Revise subject matter exams ^c	—	—	\$412	\$412
Automation project ^c	—	\$187	—	187
Staff for New Teacher Project ^c	—	244	—	244
Retain certification officers ^c	—	135	—	135
Retain staff to accreditation advisory coun- cil ^c	—	70	—	70
Develop teacher assistant exam	—	—	70	70
Stipends for commission members	—	20	—	20
Adjustment	—	-2	2	—
Subtotals, program changes	—	(\$654)	(\$484)	(\$1,138)
1990-91 Expenditures (Proposed)	—	\$8,499	\$2,956	\$11,455
Change from 1989-90:				
Amount	-\$1,100	\$1,397	-\$584	-\$287
Percent	-100.0%	19.7%	-16.5%	-2.4%

^a Excludes funds in the Test Development and Administration Account.

^b Includes \$1.3 million in limited-term expenditures restored by program changes.

^c Includes funding to continue limited-term projects initiated in the current year.

ANALYSIS AND RECOMMENDATIONS**Credential Fee Level Recommendation**

Chapter 572, Statutes of 1986 (AB 3843, Clute), 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. Based on the latest revenue forecasts prepared by the commission, we estimate that this level will provide for a prudent reserve in the Teacher Credentials Fund (including the Test Development and Admin-

istration Account) at the end of 1990-91 of between \$2.2 million and \$3.2 million (19 percent to 28 percent). We concur with the appropriateness of this fee level.

Change in Funding Source for the New Teacher Project

The New Teacher Project, established by Ch 1355/88 (SB 148, Bergeson), provides grants to local education agencies to develop and pilot test new models of (1) providing support for beginning teachers and (2) assessing their capabilities. The project is being conducted jointly by the CTC and the State Department of Education (SDE).

The Legislature appropriated \$2.9 million from the General Fund for the project in the current year. In 1988-89, it also appropriated an additional \$1.3 million (through SB 98, Ch 82/89, Hart) which was carried over into the current year, resulting in a total level of current-year support for the project of \$4.2 million (excluding state administration). Of this amount, the Legislature allocated \$1.1 million to the CTC and allocated the remainder to the SDE.

For 1990-91, the budget proposes \$4.4 million for the project. In order to "free up" General Fund revenues for other purposes, however, the budget now proposes to fund the CTC's share of the project from the Teacher Credentials Fund (TCF), rather than the General Fund. The TCF consists primarily of revenues from credential and examination fees charged to teachers.

Our review indicates that it would be appropriate to fund the New Teacher Project from *either* the TCF (because the project will benefit teachers—specifically *new* teachers) or the General Fund (because the project will generate information useful to the general public), or from a combination of both funds. The latter condition is consistent with the budget proposal, which would fund 25 percent of the project from the TCF and the remainder (SDE's portion) from the General Fund. Accordingly, we recommend that the proposal be approved.

Outcome Data On Teacher Preparation Programs Needed

We recommend that the Legislature adopt supplemental report language directing the Commission on Teacher Credentialing to develop a plan and cost proposal for collecting specified outcome data from teacher preparation programs.

One of the duties of the Commission on Teacher Credentialing (CTC) is to monitor the quality of teacher preparation programs. The CTC performs this duty through a "regulatory approach," wherein it promulgates standards that these programs must meet. The structure, resources, and curriculum of each program are then periodically reviewed for conformity with these standards. Although review teams may briefly meet with some school districts that have hired program graduates, the reviews primarily focus on the *program*, and its conformity with the standards, rather than on the program's graduates.

Problems with the Regulatory Approach. Despite the CTC's regulatory approach, the quality of many teacher training programs continues to be widely criticized. For instance, a recent report on California

COMMISSION ON TEACHER CREDENTIALING—Continued

education by the firm Berman, Weiler Associates states that “the content of teacher education courses is not necessarily linked to available theory about how to teach nor to the reality of teaching in a classroom.” This observation suggests that the regulatory approach to monitoring the quality of these institutions has not been completely successful.

In addition to problems with program quality, graduates of some programs have difficulty finding jobs, due to imbalances between the supply of and demand for teachers on both a geographic and subject matter basis. This problem is also not adequately addressed by the current regulatory approach.

An Alternative Approach. While it may be possible to improve the regulatory process somewhat, our analysis indicates that the Legislature should also consider using other types of approaches for addressing these problems. One approach that appears to be particularly promising would be to enhance competition among teacher preparation programs for qualified applicants, by providing prospective applicants and their future employers (school districts) with “outcome” data on these programs. Providing the data to prospective applicants (in summary form) would encourage them to apply to those teacher preparation programs that are doing the best job at training their graduates and placing them in jobs within the subject matter areas of interest to the applicant. This, in turn, would encourage other programs to improve (in order to maintain their applicant pools).

Specific Data to Collect. Our analysis indicates that currently the most feasible data to collect for each institution would be (1) the percentage of graduates who are placed in jobs within specified periods of time, and (2) of these, the percentage who are teaching within their primary fields of specialization. Potential program applicants would find such placement rate information useful, because such information would reflect *both* program quality (since the better trained graduates should find it easier to locate jobs) and supply and demand factors—all of which applicants need to take into consideration when choosing a program.

We recognize, however, that in areas of the state where there is a shortage of teachers—such as southern California—data on placements may not provide a complete indication of the quality of different programs, because graduates of *all* programs may find jobs fairly quickly. A better indicator would be average beginning salaries (by field of specialization), since the better-trained graduates should be better able to compete for higher-paying jobs. For this reason, we believe that the state should also collect salary data (by field of specialization) in addition to data on placements.

An additional benefit from collecting such salary data is that this information would better enable those districts that wish to attract more beginning teachers (from the better programs and/or in specific shortage areas) through higher starting salaries to determine how much these individuals need to be paid, given their salary opportunities elsewhere. Paying higher starting salaries to graduates from the better programs

would increase the number of applicants to such programs, and ultimately could lead (through competition) to increasing the quality of *all* programs. This, in turn, could help to improve the quality and status of the entire teaching profession.

Recommendation. For these reasons, we believe that the CTC—in its oversight capacity of teacher preparation programs—should begin collecting outcome data on these programs, through valid, statistical sampling techniques. We find that the CTC is the most appropriate agency to collect the data because (1) as the body that “licenses” teacher preparation programs, it may be better able to gain the cooperation of these programs than would other state agencies, and (2) any costs associated with this endeavor—which will ultimately benefit the entire teaching profession—should be funded from available resources in the Teacher Credentials Fund.

Accordingly, we recommend that the Legislature adopt the following supplemental report language in Item 6360-001-407 which directs the CTC to provide the Legislature with a plan and cost proposal for collecting the data described above:

The Commission on Teacher Credentialing shall submit a plan and cost proposal to the Legislature and Governor by November 1, 1990, for periodically collecting (through statistical sampling techniques) summary data on individual state-approved teacher preparation programs. These data shall include: (1) percentage of graduates that secure employment within specified time periods (six months, 12 months, etc.), (2) of these employed graduates, the percentage that secure employment within their primary fields of specialization, and (3) average starting salaries, by primary fields of specialization.
