

# Reforming K-12 Categorical Programs

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LEGISLATIVE ANALYST'S OFFICE

Presented To:  
Senate Budget and Fiscal Review  
Subcommittee No. 1

April 12, 2004





## Benefits of Categorical Reform

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- ☒ About \$13 billion, or 30 percent, of K-12 Proposition 98 funds are spent on categorical programs in 2003-04. Depending on how “programs” are counted, there are as many as 120 categorical programs.
- ☒ Categorical programs have been the state’s primary approach for addressing incentive problems at the local level that result in low spending levels for needed services.
- ☒ Reforming this system of programs would have significant benefits to schools and school districts, including:
  - Greater program and fiscal flexibility.
  - Administrative savings.
  - Greater local accountability and citizen involvement.
  - Increased focus on increasing student outcomes.
- ☒ Categorical reform would bring many of the same benefits to the state, such as administrative savings, greater focus on student outcomes, and increased transparency of the K-12 budget to decision-makers.



## Our Approach to Reform

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- ☒ Over the past several years we have proposed several alternative categorical reform proposals.
- ☒ The Legislature has several funding mechanisms to use in reforming categorical programs, including adding funds into district revenue limits and creating block grants by merging several similar programs.
- ☒ Using data to measure local outcomes is a more direct way to strengthen state and local accountability for providing needed services to students.
- ☒ In our view, the Legislature should use these “tools” to reduce state control over district fiscal choices and strengthen state and local accountability.



## Governor's K-12 Categorical Consolidation<sup>a</sup>

*(In Millions)*

	2003-04	2004-05	Percent Change
Home-to-School Transportation	\$519.6	\$519.6	—
School Improvement	387.2	396.1	2.3%
Staff Development Day Buyout	229.7	235.7	2.6
Targeted Instructional Improvement Grants <sup>b</sup>	199.4	205.1	2.9
Instructional Materials	175.0	175.0	—
Supplemental Grants	161.7	161.7	—
Beginning Teacher Support and Assessment	86.0	87.5	1.8
Year Round Schools	84.1	84.1	—
English Learner Assistance	53.2	53.2	—
Mathematics and Reading Professional Development	31.7	31.7	—
Peer Assistance Review	25.2	25.9	2.9
Dropout Prevention	21.9	21.9	—
Tenth Grade Counseling	11.4	11.4	—
Specialized Secondary Programs	5.1	5.1	—
School Library Materials	4.2	4.2	—
Intersegmental Staff Development	2.0	2.0	—
Bilingual Teacher Training	1.8	1.8	—
International Baccalaureate	1.1	1.1	—
At-Risk Youth	0.6	0.6	—
Center for Civic Education	0.3	0.3	—
Pupil Residency Verification	0.2	0.2	—
Teacher Dismissal	— <sup>c</sup>	— <sup>c</sup>	—
<b>Totals</b>	<b>\$2,001.5</b>	<b>\$2,024.4</b>	<b>1.1%</b>

<sup>a</sup> Amounts include "deferred" funds—funds that are earned in one year but not paid until the next.

<sup>b</sup> Excludes funds provided pursuant to a court-ordered desegregation plan.

<sup>c</sup> Less than \$50,000.



The Governor's budget proposes to eliminate funds for 22 categorical programs and add the funds to district and county office of education revenue limits.



The budget also proposes to increase participation of parents, teachers, and principals in local budget decisions as a way of increasing local accountability for the use of these funds.



## LAO Recommendations— Revenue Limit Add-On



In general, we are comfortable with the administration's approach—that local participation in district budget processes would provide an adequate level of accountability for these programs.



We recommend several changes to the programs that would be added to revenue limits, as summarized below:

Summary of LAO Recommendations to Consolidate Categorical Programs Into Revenue Limits	
<b>Programs Included:</b>	
<ul style="list-style-type: none"> <li>• Class-Size Reduction (both K-3 and High School)<sup>a</sup></li> <li>• Deferred Maintenance<sup>a</sup></li> <li>• Home-to-School Transportation</li> <li>• Dropout Prevention</li> <li>• School Improvement</li> <li>• Instructional Materials</li> <li>• Supplemental Grants</li> <li>• Year Round Schools</li> <li>• International Baccalaureate</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted Instructional Improvement Grants (partial)</li> <li>• Tenth Grade Counseling</li> <li>• Specialized Secondary Programs</li> <li>• School Library Materials</li> <li>• At-Risk Youth</li> <li>• Center for Civic Education</li> <li>• Pupil Residency Verification</li> <li>• Teacher Dismissal</li> </ul>
<b>Programs Excluded:</b>	
<ul style="list-style-type: none"> <li>• Staff Development Day Buyout</li> <li>• Beginning Teacher Support and Assessment</li> <li>• English Learner Assistance</li> <li>• Intersegmental Staff Development</li> </ul>	<ul style="list-style-type: none"> <li>• Peer Assistance Review</li> <li>• Mathematics and Reading Professional Development</li> <li>• Bilingual Teacher Training</li> </ul>

<sup>a</sup> Programs LAO recommends adding to the Governor's grant consolidation proposal.



## Other LAO Recommendations

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We recommend specifying a transition process that will help districts meet the objectives of the budget proposal.

- Maintain categorical funding restrictions during 2004-05 to allow full local participation in the 2005-06 budget process.
- Restrict the funds from collective bargaining until 2006-07. This would prevent the budget proposal from triggering any automatic provisions of existing bargaining agreements.



We recommend approximately \$500,000 in federal funds to develop a strategic plan for meeting school and district information needs on effective programs.

- The plan would determine the high-priority types of information needs of schools and districts, identify information that is currently available, and recommend a program of information collection and dissemination that the Legislature could consider funding in 2005-06.



## LAO Recommendations— Create Teacher Quality Block Grant

*(In Millions)*

	2004-05 Appropriation
Staff Development Buyout Days	\$235.7
Beginning Teacher Support and Assessment	87.5
Mathematics and Reading Professional Development	31.7
Peer Assistance and Review	25.9
Intern program <sup>a</sup>	24.9
National Board Certification Incentives <sup>a,b</sup>	7.3
Paraprofessional teacher training program <sup>a</sup>	6.6
Intersegmental Staff Development <sup>c</sup>	2.0
Bilingual Teacher Training	1.8
<b>Total</b>	<b>\$423.4</b>
<sup>a</sup> Governor's proposal retains as separate categorical programs. Other programs listed would be shifted into school districts' revenue limits. <sup>b</sup> We recommend the state honor all existing obligations but offer no new awards. Annually, as awards expire, National Board funding could be shifted into the block grant, thereby raising per teacher funding rates. <sup>c</sup> Includes two small programs—the College Readiness program and the Comprehensive Teacher Education Institutes.	

- ☒ Despite research findings, large state investments, and new federal requirements all emphasizing teacher quality, the Governor's budget proposal would eliminate virtually all state focus on teacher quality.
- ☒ We recommend retaining the state's focus on teacher quality by creating a teacher quality block grant. The block grant would consolidate ten existing programs, as shown above.
- ☒ We recommend allocating funding to school districts based upon their teacher count—with a substantially higher funding rate for new teachers (about \$3,600) than for veteran teachers (about \$1,000).



## LAO Recommendations— Create Teacher Quality Block Grant

*(Continued)*

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To obtain data on the effectiveness of district staff development programs, we recommend enhancing the state's teacher information system. Specifically, we recommend:

- Better coordinating existing data efforts by using a common teacher identifier.
- Collecting new data on teachers' professional development activities and linking to student achievement data.
- Using the enhanced information system to help districts identify effective strategies for improving teacher quality.