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STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY
11th & L BUILDING, SUITE 550, (916) 445-2125
SACRAMENTO 95814

A REPORT ON THE ROLE OF THE STATE DEPARTMENT OF EDUCATION IN CALIFORNIA'S K-12 PUBLIC EDUCATION SYSTEM

JUNE 1982

Chairman — Nathan Shapell • Vice-Chairman — Senator Milton Marks
Senator Alfred E. Alquist • James M. Bouskos • Mary Anne Chalker • Benjamin Felton • Albert Gersten, Jr. • Brooke Knapp
Manning J. Post • Richard S. Trugman • Assemblyman Frank Vicencia • Jean Kindy Walker • Assemblyman Phillip D. Wyman
Executive Director — L. H. Halcomb

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June 15, 1982

Honorable Edmund G. Brown Jr.
Governor of California

Honorable David A. Roberti
President pro Tempore of the Senate
and to Members of the Senate

Honorable Willie L. Brown, Jr.
Speaker of the Assembly
and to Members of the Assembly

Dear Governor and Members of the Legislature:

Senator David Roberti expressed concern to this Commission regarding the contribution of the State Department of Education to the education of our children and this Commission commenced public hearings to determine the organization and fiscal responsibilities attendant to these issues.

The attached "Report on the Role of the State Department of Education in California's K-12 Public Education System" is based on a thorough consideration of all testimony given at the public hearings and in written statements and reports filed by interested parties and witnesses.

California maintains the largest, most diverse K-12 education system in the nation, which includes 4.2 million students served by approximately 350,000 school employees in 7,400 schools directed by 1,042 autonomous school districts. In fiscal year 1977-78, before the passage of Proposition 13, the State's share of the then $9.5 billion cost of K-12 education amounted to 38.17 percent. In fiscal year 1981-82, local, State and federal funding for K-12 education had climbed to over $12 billion, of which the State's share was 62 percent or approximately $7.9 billion. The Legislative Analyst projects fiscal year 1982-83 K-12 expenditures to total $13.1 billion, including $8.4 billion in State funds. There is evidence that State expenditures will be augmented through the budget process.

Over the last few years, since Proposition 13, total costs have escalated at the alarming rate of almost $1 billion each year. Proposition 13 and its concomitant decline of tax revenues was to effectuate a reduction of the cost of government. Instead, all that was accomplished was a shifting of the burden from the local level to the State level, and an increase of costs, inefficiency and mismanagement.

This Commission was very concerned and alarmed by its findings that no single legislative, executive or other official is solely accountable or responsible for these education expenditures which have been permissively increasing.

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In order to educate 500,000 fewer students, the K-12 system now employes 50,000 more non-teaching staff than a decade ago. Since Proposition 13, the State has increased its share of total K-12 costs from an initial 38 percent to about 62 percent. This resulted in additional State costs of about $11.2 billion through fiscal year 1981-82 to operate the State's K-12 system. This was done without additional taxes.

If the mandate of Proposition 13 had been implemented, and the number of school district employees per thousand students had remained constant, there would have been at least 80,000 fewer employees in recent years resulting in an annual savings of about $1.4 billion.

Notwithstanding Proposition 13, county departments of education expenditures skyrocketed from $156 million to $812 million and employees in main elements of the State Department of Education increased 68 percent.

In the four years since Proposition 13, total K-12 education expenditures per student have increased 6.3 percent more than the average inflationary costs of government goods and services. The direct cost of extra school employees, relative to the employee-student ratio just before Proposition 13, is about $1 billion. Automatic increases in program allocations, covered with a veneer of control through ineffective regulations, are outmoded and will not satisfy the need for taxpayer-mandated spending reforms.

Local school officials reported to the Commission that conflicting interpretations of program requirements cause confusion and uncertainty compounded by the Department of Education's extensive guidelines being misrepresented as regulations. At the same time, the Superintendent of Public Instruction testified that he lacks the statutory authority to hold school districts accountable for efficient operations and management. The Commission observed an inordinate bureaucratic overlay of Department of Education staff dedicated to the administration of categorical programs, as well as an overlap of county-operated and district programs indicating potential extra costs approximating $100 million per annum. This Commission has found that preoccupation with administrative oversight and excessive prescriptiveness has significantly added to increased costs.

The Commission learned that categorical instruction programs overlap and interfere with one another and with regular "core" instruction, resulting in interruption or replacement of core instruction, conflicting teaching methods, and imposition of extra administrative burdens on teachers, principals and administrators. Furthermore, students participate in related programs to such an extent that it is virtually impossible to determine whether any particular program significantly improves their academic achievement. With limited resources, the increased administrative cost of these programs is certainly at the expense of basic education.

On the basis of these findings, and its own studies since 1973 of inefficient school operations, the Commission concludes that there is insufficient assurance that the State Department of Education, school districts and county departments of education provide cost-effective instructional programs and prudent management of the $12 billion K-12 education program. The result, despite a decline of about 500,000 students, has been a reduction in the curriculum, 1,800 fewer teachers and a significant and unnecessary increase of about 50,000 nonteaching employees by 1980-81.

It is evident that efforts in the last two or three decades to comply with legislative and judicial criteria calling for additional programs with corresponding bureaucracies layered upon an antiquated system have resulted in the duplication of services and facilities. This uncontrolled and misguided growth has failed to meet the educational needs and financial abilities of our State. Therefore, the recommendations which follow should be read with a view toward modernizing the educational foundation in order to provide the framework and capability to efficiently administer a sound educational system for all.

To enhance sound school management practices, reduce the pervasive waste of several hundred million dollars per year, which could be better utilized to provide basic education, and achieve accountability in our K-12 educational system, the Commission recommends the following measures:

1. The role and function of the Superintendent of Public Instruction should be defined and expanded so that he can effectively perform his statutory obligations to administer and enforce the powers, duties and functions detailed in the Education Code. The Superintendent must be held accountable to the Legislature and the public for the fulfillment of these responsibilities.

2. Continuation of the County Departments of Education in their current format is unwarranted and outdated. Their role should either be redefined, so as to avoid duplication and overlap, or the offices should be abolished.

3. Prior to approving any general increase in K-12 appropriations, the Legislature, using the resources at their disposal, should be assured that school districts are effectively and economically managing their operations.

4. The Commission has concluded that a significant percentage of the nonteaching staff in all districts could be eliminated, saving literally hundreds of millions of dollars through consolidation of programs and better management practices.

5. Unused and half-empty schools should be consolidated, and unused property and facilities sold or leased.

6. The Department of Education should immediately initiate a utilization study of all school facilities in the State.

7. The deferred maintenance of school facilities has reached catastrophic proportions. The Superintendent of Public Instruction, working with school districts, should immediately design and implement a multi-year program to correct this neglect.

8. Accountability of school officials should be strengthened by the imposition of fines or sanctions against the credentials of school district officials who mismanage resources. There is no one single office holder, appointed or elected, who bears overall responsibility for the $12 billion a year expenditure for the State's K-12 educational system.

9. The State Board of Education should establish basic standards for academic achievement while district officials should be held accountable for meeting these standards.

The Commission therefore recommends that California adopt a result-oriented system for school district management which would permit instructional flexibility at the local level, while emphasizing accountability for instructional excellence and operational efficiency. The Commission believes such a system would reduce State-level cost, permit greater leadership through research to keep the system current with the times, and encourage more efficient use of limited resources. In this way, California's school system can be kept "abreast of the times, outstandingly strong and economically sound."

Respectfully submitted,

RICHARD TRUGMAN, Chairman
Department of Education
Study Subcommittee
Dixon R. Harwin*
Brooke Knapp
Jean Kindy Walker

NATHAN SHAPELL, Chairman
Senator Milton Marks, Vice-Chairman
Senator Alfred E. Alquist
James M. Bouskos**
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Manning J. Post***
Assemblyman Frank Vicencia
Assemblyman Phillip D. Wyman

*Dixon R. Harwin was replaced by Mary Anne Chalker on April 30, 1982.

**James M. Bouskos was appointed to the Commission on February 5, 1982. Accordingly, he did not participate in the Commission's public hearings on this study.

***Past-Chairman Manning J. Post abstains.

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I. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Increased Cost of California's K-12 Education System

The total cost of K-12 education, including federal, state and local funds, is estimated to be $12.7 billion for fiscal year 1981-82, or approximately $3,000 per student. Over 92 percent of total expenditures occur at the school district level. The Department of Education's budget for state administration and support is one percent of total expenditures, with county offices of education comprising the remainder of nearly 7 percent. Because 85 percent of local expenditures are directly related to personnel, the most efficient use of school employees is central to the overall economy of the system.

The Commission found that increased school district staffing of about 30 percent, relative to the number of students, has been a major factor in K-12 education costs. The number of school employees per thousand students increased from 67.80 to 87.25 between fiscal years 1970-71 and 1979-80. School district expenditures increased from $4 billion in 1970 to $10 billion by 1980 despite a concommitant decline of more than 500,000 students in the period.

If the number of school employees per thousand students had remained constant rather than dramatically increasing during the last decade, there would have been at least 80,000 fewer employees in fiscal year 1979-80 with annual savings estimated at $1.4 billion in salaries and benefits. The total, unadjusted cost for extra school employees in the ten fiscal years of 1971-72 through 1980-81 (more than 500,000 extra employee-years) is approximately $8 billion, which is equivalent to about $9 - $10 billion in current dollars.

School officials told the Commission that increases in employees are almost entirely attributable to the institution and expansion of special purpose or "categorical" programs designed to address the specific needs of disadvantaged, limited English-speaking, handicapped, and other student subgroups.

Although Proposition 13 limited the amount of local property taxes available to finance state programs, a recent report by the California Taxpayers Association indicated that total revenues per K-12 student (expressed as "constant dollars" to adjust for inflation) increased 22 percent over the period FY 1971-72 to 1980-81.

Neither the State Superintendent of Public Instruction nor the State Department of Education have advocated significant program modifications or alternative modes of service delivery to control the growth of education costs.

Bureaucratic Growth of the State Department of Education

DOE employees have increased 68 percent (from 852 to 1,432 employees exclusive of special schools, state libraries, surplus property and the

Credentials Commission) since FY 1970-71. This rate of increase is seven times that of all local school employees for the same period.

State-level administration of categorical programs occupies a disproportionately large number of Department staff. The activities of this staff flourish in a regulatory environment perceived by local school officials as excessive and without corresponding benefits.

DOE administrative costs were $20 million in FY 1981-82 for more than 300 employees to fund, coordinate, and review consolidated categorical, other compensatory, bilingual, and special education programs (exclusive of state schools) which received a total of $1.5 billion in local assistance. By contrast, administrative costs were only $2 million for 42 employees to apportion nearly $6 billion for basic education. State Administrative support, expressed as a percentage of local assistance, was thus about 1.3 percent for the aggregate of compensatory, bilingual, and special education programs, but only one twenty-fifth of one percent (.04 percent) for general education exclusive of instructional support.

Since most categorical programs were instituted 5 - 15 years ago and receive allocations according to formula, their extraordinary administrative costs suggested the need for an examination of the nature and proper extent of state participation in such areas as program planning, review, and quality assurance.

Although an exacting management audit was beyond the scope of this general study of the K-12 education system, the Commission notes that the DOE Consolidated Program Division, which includes 170 employees, is said by school officials to intrude unnecessarily into local program planning. Similarly, the Office of the Legislative Analyst has recommended that this Division's school-site review teams should no longer engage in unproductive, quasi-"reviews" of program quality, but should rather confine their monitoring activities to verification of essential program compliance with federal and state law.

Diminished Local Authority for Efficient Education Programs

Education officials interviewed in connection with this investigation reported that the State Department of Education's professional leadership and technicians are preoccupied with detailed preview, prescription, and review of local program operations although emphasis should properly be on the effectiveness of these programs.

Rand Corporation's recent report on The Aggregate Effects of Federal Education Programs observed that federal and state governments share a measure of responsibility for this administrative nightmare. Although state categorical requirements sometimes exceed federal requirements, the report stated that both federal and state governments tend to "write and administer each new requirement separately from all previous requirements." This creates bedlam in schools because: "Requirements that have been kept apart at higher levels... all come together in the schools, the only organizations in the intergovernmental system that are too small to have a

separate bureaucracy for each requirement. Principals and teachers must therefore cope with the combined effects of requirements that legislators and higher-level administrators can deal with separately."

The report implies that many program prescriptions and procedures, created ostensibly to promote efficiency and student achievement, are actually of dubious merit. Notwithstanding state and local efforts to coordinate categorical programs with the "core" instruction program, the former were found to mutually interfere with one another--as well as with core instruction--with the result that overall educational objectives were not attained.

A Study of California's Categorical Education Program for Kindergarten through Grade 12, completed by the State Department of Finance in April 1981, corroborated elements of the Rand study. This study found that "comprehensive coordination generally does not exist among all categorical programs" and "few, if any, formal efforts existed to coordinate services to students" who were targeted by multiple programs with similar objectives. The study team reported "few efforts at the state or district levels which encouraged or facilitated coordination at any level of operation."

Local officials reported that they often received "different interpretations of compliance and implementation requirements" with consequent "confusion at the school site level." School officials likewise informed the Commission that DOE guidelines were sometimes misrepresented as regulations.

Inequity, as well as inefficiency, is institutionalized in our education system. An analysis by the Office of the Legislative Analyst concluded that, due to anomalies in eligibility criteria for compensatory and bilingual categorical programs, funds are not assigned on an equitable basis to assist all the lowest-achieving needy students for whom these programs are intended.

With due recognition of the complexity, enormity, and longevity of these problems, but with the conviction that our $12 billion K-12 education system will surely deteriorate unless positive intervention is initiated, the Commission recommends the following courses of action:

- The Legislature should terminate statutory provisions and regulations pertaining to consolidated categorical programs, and related compensatory programs, except for sections on program intent, eligibility criteria, and allocation formulas. Terminated statutory provisions and associated regulations should be clearly designated as non-binding guidelines.

- Each local education agency should have sole discretion, to the maximum extent permitted by federal regulations, in the formulation of instructional programs and strategies which satisfy specified intents of the categorical programs.

- Funding of the programs should continue according to current allocation formulas.

- Since related programs are so operationally intermixed that they cannot be held individually accountable for results (see later discussion), state audits of fiscal compliance should simply be limited to verification that expenditures are made for the legitimate purposes of any of the included programs.

- The State Superintendent of Public Instruction should prepare congressional and legislative recommendations for further consolidation and reduction in the number of uniquely defined categorical programs which actually serve related eligibility groups and have similar allocation formulas.

Fiscal Compliance and Accountability

The Commission learned that the State Department of Finance (DOF) has defined uniform standards for contracted annual fiscal audits of local education agencies including K-12 school districts, county offices of education, and community college districts. Due to the efficiency of this "single audit" concept, results are useful to various state agencies without needless duplication of audits. The cost of local fiscal audits and all ancillary state audits of K-12 education expenditures is estimated by the DOF to be $13 million, or about $3.00 per student in FY 1982-83.

Field audits by the DOF continue to identify significant fiscal compliance problems. For example, 40 of 50 recently completed audits of school districts found that they were not providing the funded, statutory minimum of at least 175 days education per year. Some schools have been found to provide no more than two and one-half hours of instruction per day. Under the present circumstances, the Commission views the level of expenditures for fiscal audits (equivalent to one-tenth of one percent of the cost of K-12 education) as commensurate with the need for essential fiscal controls.

- Consistent with the Auditor General's testimony to this Commission, it is recommended that the single audit concept be more broadly applied by shifting greater responsibility to the school district level, thereby reducing the need for additional auditing at the state level. Specifically, fiscal audits prepared annually by local CPA's include audit standards for various programs. The scope of these audits should be expanded to include review of the control systems used by school districts to ensure program compliance.

- The Commission further recommends the examination of school district expenditures for the last month of each school year. If these expenditures are found to be inordinate, standards should be developed for incorporation in the annual audits.

A report just completed by the Auditor General on Improvements Needed in the State Department of Education's Apportionment of State School Funds recommended strengthening of apportionment review and documentation functions. The report made no recommendations regarding the use of ADA.

- Since excessive gathering and maintenance of local records are required to report students' average daily attendance (ADA) during the

fiscal year, the Commission recommends that this anachronism be replaced by an economical measure uniformly based on one or several school days. These attendance records would have the same purposes for program funding, and be subject to the same stringent audit requirements, as the current ADA.

The Commission is deeply concerned that school districts' compliance with administrative procedures does not ensure education programs' public accountability for results. The Department of Finance's report on categorical programs stated that they are so operationally intermixed that it would be "nearly impossible" to determine their specific contributions to educational achievement. The report by Rand Corporation more emphatically concluded that interference between categorical and core education programs actually has an adverse effect on the students involved.

The Office of the Legislative Analyst has commented on the questionable performances of a number of categorical programs. In one instance, for example, it was concluded that the "lack of demonstrated effectiveness of the state's more [than federal] comprehensive and prescriptive requirements" for bilingual programs "coupled with the high cost of these requirements, persuade us that state law should not prescribe a bilingual approach." The LAO recommended that school districts should be given broad discretion to develop their own approaches consistent with federal regulations.

These program costs must be placed in perspective. The cost of bilingual programs was estimated by the Legislative Analyst to be $115 million in state and federal funds for 233,000 California children several years ago (five-percent of all K-12 students in FY 1977-78) or nearly $500 per program participant in addition to the cost of "core" and other possible compensatory instruction. The State Department of Education estimates that there will be about 500,000 limited English-proficient children in California by 1990. The Legislative Analyst's most recent conclusion about costs associated with these unproven, bilingual programs is as follows: "Because of the multiplicity of programs and funding sources for bilingual education, California's total expenditures for bilingual education cannot be determined."

Since allocations for categorical programs are based on need but do not systematically include information about the extent to which these programs *realize their objectives, there is insufficient assurance that these expen*ditures are cost-effective.

Systematic Development and Use of Management Information

- The State Department of Education should structure available information to assist in district-by-district comparisons of trends in student achievement and district fiscal management.

- Districts should be given greater flexibility in planning and management of instructional programs, but should be held accountable for program results.

- The California Achievement Program (CAP) should be used to identify, on an exception basis, school districts in which instructional program results vary substantially from expectations based on socioeconomic and demographic variables. Since categorical programs aimed at low achievers comprise such a significant proportion of education costs, student achievement data should be structured to illuminate the learning gains of the lower quartile (25 percent) of students as well as those of average students. Performance gains should be related, to the extent justified, to aggregate expenditures for categorical programs as well as the core instruction program.

- Additionally, the State Board of Education should study the probable benefits of broader use of the CAP in order to supplant a variety of other achievement tests used at grade levels currently untested by the CAP.

Management operations subject to oversight should include those which are susceptible to reliable measure and have the largest potential impact on costs--such as efficient utilization of education facilities. The Commission notes that the DOE has failed to exercise even rudimentary leadership in this area. Despite the Commission's identification of facilities utilization problems and recommendations (See A Study of the Utilization of Public School Facilities, July 1978), the DOE has neglected to systematically gather information about utilization and publish an essential manual for use by school districts.

It should also be noted that the DOE did not participate in deliberations on a Senate resolution (SCR 67) which recommended postponement of closing underutilized San Fernando Valley schools until at least February 1983. With more than 100 schools classified as "underenrolled" -- many with less than 200 students in buildings designed for more than 500 pupils -- this measure forestalled potential savings of many millions of dollars.

- Prior to approving any general increase in K-12 appropriations, the Legislature should be assured that school districts are effectively and economically managing their operations.

- The DOE should immediately initiate a study of school facilities utilization throughout the State.

- Underutilized schools should be consolidated. Unused property and facilities should be sold or leased.

- A multi-year program should be designed and implemented to service school facilities since deferred maintenance has already reached catastrophic proportions.

Sanctions

When instances of district misuse of funds are identified through audit procedures, subsequent reductions of district apportionments penalize students. Since the Commission is aware that some school districts demonstrate responsible and skilled leadership, but other districts are flagrant

examples of inept management, the Commission recommends institution of remedial sanction procedures as warranted to strengthen overall accountability without adversely affecting students.

- The Commission recommends, consistent with a suggestion of the Auditor General, the establishment of sanctions against school district officials who fail to operate educational programs in compliance with essential state requirements. These sanctions could include actions against the credentials of school districts officials or the imposition of fines.

- The Commission further recommends that--if intermediate methods of problem resolution have failed to improve particular districts' seriously substandard managerial or instructional program performances --they should ultimately be accountable to the State Superintendent in hearings preliminary to their placement under a trusteeship.

Roles of the State Superintendent, Board of Education, and Department of Education

The Commission believes that responsibilities for leadership and management of California's vast, K-12 education system must be carefully delineated. The recommendations in this report will enhance the overall accountability of the system while reducing state-level administrative impediments to effective and efficient instructional programs in the 1,042 school districts.

The Superintendent should have full responsibility for leadership and administration of the education system, subject only to state and federal statutory constraints. Although the Legislature and State Board establish educational policy, the Superintendent has the responsibility and opportunity to recommend courses of action based on comprehensive planning to meet present and future needs of California's students.

- The Commission recommends that the Legislature empower the Superintendent with such further authority as necessary to ensure that school districts provide effective instructional programs and prudent management of school facilities to control excessive costs.

- The Commission further recommends that the Board should establish basic standards for academic achievement, including future goals to be met through a combination of core and supplemental instruction programs. Aggregate student achievement should be periodically reviewed to see whether instruction programs are effectively satisfying specific goals as well as general objectives. These standards and goals could appropriately be discussed within the context of a "Master Plan for General Education" to be prepared, at the request of the Superintendent, for executive and legislative use.

The Department should play an important role in securing and arraying specified achievement and management information necessary to identify exceptionally effective or ineffective school districts. The Department

should disseminate information about effective programs so that districts may emulate them as appropriate. When the Department identifies singularly ineffective districts, the Superintendent should, as stated previously, initiate a course of remediation which might ultimately result in the use of available sanctions to ensure accountability in the education system.

The Commission believes that the Board's Educational Management and Evaluation Commission (assisted as necessary by staff from the Department of Education's Office of Program Evaluation and Research) should assist the Board in goal-setting and evaluation activities. It is a suitable agency to consider broad issues of quality education and effective management practices. The Superintendent serves as executive secretary to the Commission. Members include appointees of the Governor, Senate Rules Committee, Speaker of the Assembly, and Board.

- This Commission recommends that the Board's Educational Management and Evaluation Commission be strengthened to give higher priority to the critical functions of evaluation and management in the education system.

II. OVERVIEW OF K-12 EDUCATION IN CALIFORNIA

Size, Diversity, and Organization

The California Legislature manages the largest K-12 education system in the nation. The system provides classroom instruction to over four million children. This instruction is provided by nearly 200,000 teachers in over 7,400 schools with several thousand school-site councils in 1,042 local school districts. These units have a wide range of cultural, geographic, demographic and economic diversity ranging from one-room schools in mountainous areas to an urban district larger than any one of over half of the individual state systems of the nation. These units receive a wide range of technical assistance and support services from 58 county offices of education and other intermediary units formed by county offices and local districts.

The governance and functioning of the system are influenced by its vast size and diversity.

The Legislature is the primary policy-maker for this system. It is assisted by three levels of policy boards: the State Board of Education, County Boards, and local school districts boards. The State Board of Education adopts regulations, policies and practices to interpret and implement statutes enacted by the Legislature. The Education Code provides that the Board shall study problems and needs of the statewide system and provides that it shall make plans for the improvement of the administration and efficiency of public schools.

The Department of Education, as staff to the State Superintendent of Public Instruction and the State Board of Education, performs those duties assigned by the Legislature, the State Board of Education and the State Superintendent of Public Instruction.

Educational Costs

The total cost of K-12 education will exceed $12 billion in fiscal year 1980-81. One-third of all of the state's general fund tax revenue dollars goes to K-12 education. In fiscal year 1979-80, the last year for which analytic detail is currently available, the total cost of K-12 education was $10.84 billion. Since only about $102 million was spent for state operations, and a total of about $695 million was spent from various funds of the 58 county offices of education, it is evident that about $10 billion of the fiscal year 1979-80 total, or 92-93 percent of all expenditures, occurred at the school district level.

Education is labor intensive. In fiscal year 1979-80, the cost of salaries and benefits for all school district employees was $7.334 billion or 73 percent of all school district expenditures. Salaries and benefits comprise more than 85 percent of the "current expense" of education exclusive of capital outlay, debt service, and ancillary services. Thus the effective and efficient use of school district personnel is perhaps the single most important factor in the cost of education.

In fiscal year 1970-71, 318,136 (full-time equivalent) school employees provided direct or indirect services to 4.7 million students (ADA). Nine years later, 363,535 employees served 4.2 million students. The number of employees per thousand students increased from 67.80 (Fiscal Year 1970-71) to 87.25 (Fiscal Year 1979-80) during the decade. This extra staffing of nearly 30 percent, relative to the number of students served, has been a major factor in the increased cost of education. If the FY 1970-71 employee-to-student ratio had been maintained rather than dramatically increased, there would have been 81,032 fewer employees in FY 1979-80 and annual savings estimated at $1.4 billion in salaries and benefits. Please see Figure 1 and Table 1 for a graphic depiction of statewide changes in overall employee-to-student staffing ratios during the period.

Preliminary data, provided by the Department of Education during final preparation of this report, indicate that the number of school district employees might have declined to 348,620 full-time equivalent in FY 1980-81, for an average of 83.80 employees per thousand students. This would be about 67,000 employees more than the FY 1970-71 employee-to-student ratio applied to the number of students in FY 1980-81, with an annual extra cost of one billion dollars in salaries and benefits.

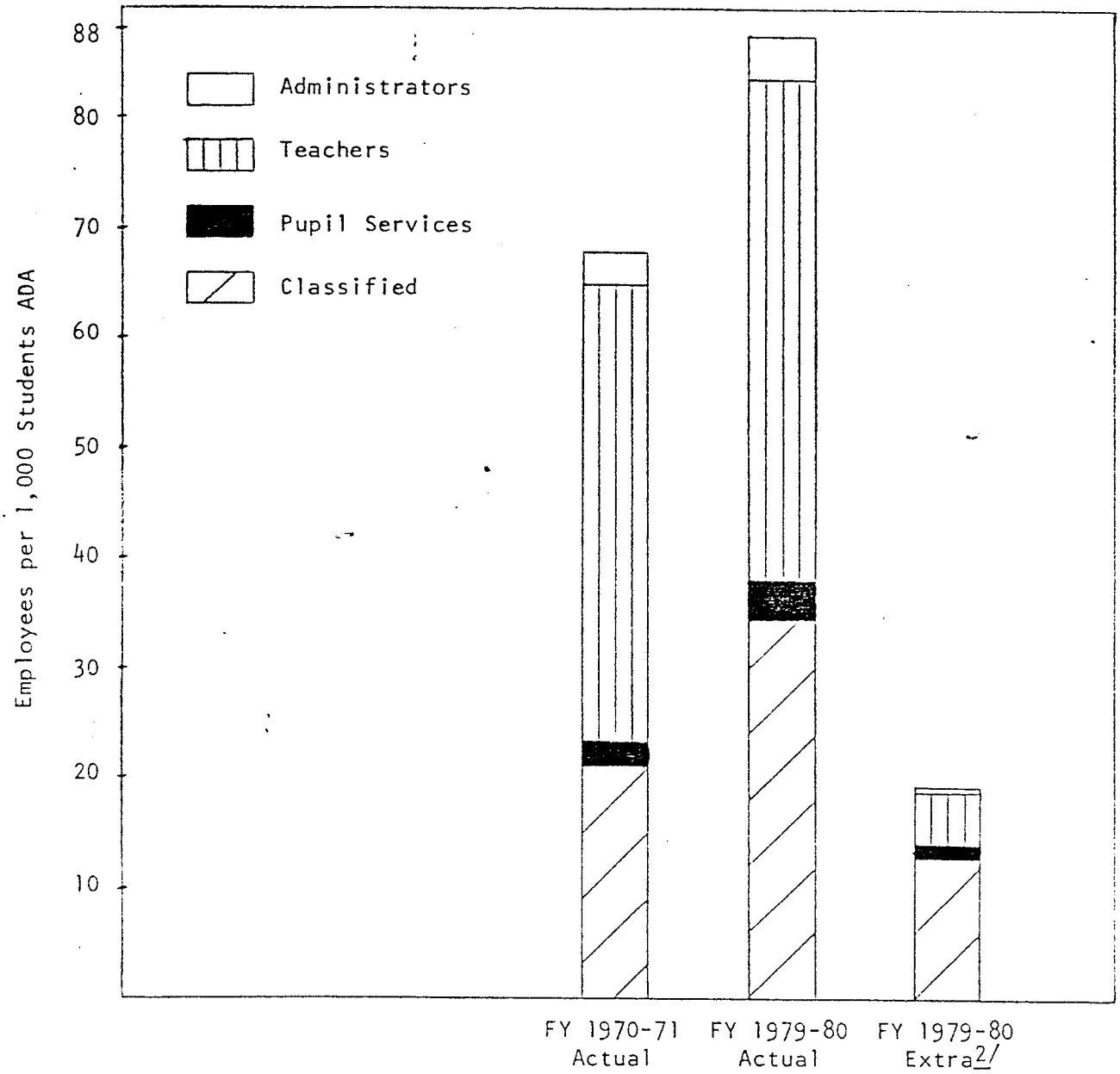
Education in the 1970's

Inflation, enrollment trends, Proposition 13, court decisions on equal resources (Serrano versus Priest) and resources commensurate with special needs (Lau versus Nichols), desegregation, and due process have added to the complexity and challenge of managing the K-12 education system. These forces were present in the fiscal shortfall experienced by the new master plan for special education. Increases in program funding, personnel, and regulatory requirements have been closely associated with the growth of categorical programs during the last decade.

School Finance

Local property taxes were the major source of school revenue until Proposition 13 became effective in July 1978. State funds currently provide about 70 percent of school revenue. Although the federal government formerly provided 8 - 9 percent of school revenue, current information indicates federal aid will decrease about $100 million in each of the next two fiscal years. This decrease of about one percent per year in total school revenue will be felt as a cut of about five percent per year in categorical assistance programs unless the state share is increased to replace the federal reduction. If federal reductions are not replaced, the cost of state administration will increase--relative to funds available for local assistance--unless corresponding administrative economies are instituted.

Figure 1. Comparison of California's Number of School District Employees per 1,000 Students in FY 1970-71 and 1979-80[1/]



Source: Derived from sources and data in Table 1 (attached).

1/ Employee data are full-time equivalent in November of indicated fiscal years.

2/ See text for definition and discussion of employees that are "extra" relative to FY 1970-71 staffing standards of 67.80 employees per 1,000 students.

Table 1. Comparison of California's Number of K-12 School District Employees and Students in FY 1970-71 and 1979-80, Including Number of FY 1979-80 Employees in Excess of 1970-71 Employee/Student Staffing Ratios 1/

Employee Category	Employees			Employees per 1,000 Students ADA 2/			1979-80 Expected & Extra Emp. Based on 1970-71 Emp/ADA 3/	
	1970-71	1979-80	Change	1970-71	1979-80	%Change	Expected	Extra
Total Employees	318,136	363,535	45,339	67.7997	87.2471	28.7	282,503	81,032
Certificated	217,990	219,775	1,785	46.4570	52.7452	13.5	193,574	26,201
Administrative	13,976	14,622	646	2.9785	3.5092	17.8	12,411	2,211
Teachers	193,049	191,272	-1,777	41.1417	45.9046	11.6	171,426	19,846
Pupil Services	10,965	13,881	2,916	2.3368	3.3314	42.6	9,737	4,144
Classified	100,146	143,760	43,614	21.3427	34.5019	61.7	88,929	54,831

Source: Derived from employee and ADA data published by the State Department of Education, Division of Financial Services, Local Assistance Bureau.

1/ All employee data are full-time equivalent in November of indicated fiscal years.
2/ Student average daily attendances in FY 1970-71 and 1979-80 are 4,692,295 and 4,166,726, respectively, a decline of 11.2 percent.
3/ 1979-80 "expected" employees equals the number of 1979-80 students (ADA) multiplied by 1970-71 ratios of employees per student. "Extra" employees equals 1979-80 actual employees minus expected employees.

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III. SCOPE OF COMMISSION'S K-12 EDUCATION STUDIES

Prior Studies of K-12 Education

Since 1973, this Commission has conducted 15 public hearings dealing with the administration of the K-12 education system in the State of California. The Commission reported in 1973 that the decline in enrollment in California schools resulted in underutilization of school facilities. In 1978, the Commission reported on inadequate property utilization exacerbated by a decline of 300,000 students since 1970. (The decline is now more than 500,000 students.) This report also publicized the existence of an enormous backlog of deferred maintenance, in excess of $750 million at the time. In June of last year, the Commission released a report citing serious deficiencies in the management of the Los Angeles Unified School District.

The Commission completed its study of the San Juan Unified School District in December. The District was very positive in its responses to the Commission's recommendations concerning its management activities. (See letter from Superintendent Fred J. Stewart and attached "Responses to Recommendations Included in the Report from the Commission on California State Government Organization and Economy," Appendix A.)

Impetus for Present Study of the State Department of Education

Senator David Roberti, President pro Tempore of the State Senate, recently wrote to the Chairman of the Little Hoover Commission as follows:

> "The Senate is very concerned with quality in education in California. Even in these difficult financial times, I am certain the Senate will act to provide the maximum possible dollars for local school districts. But, we cannot close our eyes to the poor achievement of many of our educational programs. Specifically, I think the Senate would welcome any work that the Little Hoover Commission might accomplish towards answering the question: Does the Department of Education make a significant contribution to the education of our children? If so, what reforms are necessary to enhance the work of the Department? If not, what programs and expenses can be eliminated at the state level in order that the Legislature can appropriate additional revenues to local school districts?"

Scope of Inquiry

In response to Senator Roberti's request, the Commission elected to broadly investigate the economy of the total K-12 education system as well as Department of Education policies and operations. Chairman Shapell appointed an Education Subcommittee--chaired by Mr. Richard Trugman and assisted by Commissioners Dixon Harwin, Brooke Knapp, and Jean Kindy Walker--to provide policy direction in the study.

This study did not include an independent analysis of the role and functions of county offices in the education system because this is the subject of a concurrent report in preparation by the Legislative Analyst. The Legislature directed the Analyst to "review the operation of county offices

of education to determine the necessity of the services provided by such offices to school districts and directly to pupils." This review will "include consideration of reorganizing such offices into regional or other configurations so as to improve efficiency and effectiveness." The Commission will consider such further study and recommendations as might be appropriate pursuant to release of this report. Since county office expenditures are currently approaching $1 billion annually, reorganization of the offices and elimination of apparent duplication of district administrative functions offer significant potential savings.

Based on interviews and testimony received in connection with the Commission's recent study of the San Juan Unified School District, the Commission's current study was designed to consider the expressed concern of school officials that excessive regulations have severely limited their ability to make the most effective use of the resources available to them. The Commission viewed these concerns as possibly symptomatic of basic problems of leadership, control and accountability.

Emphasis in this study centered on management of the federal and state categorical programs because recent reports by Rand Corporation and the State Department of Finance appeared to corroborate information received by the Commission in the course of its earlier study.

The study sought to develop answers to the following questions:

(1) What are the problems of overregulation and prescriptiveness?

(2) What actions have been taken to alleviate these problems?

(3) What impact have the categorical programs had on the efficiency and economy of the system?

(4) Who is providing leadership?

(5) Who is controlling the system?

(6) Who is being held accountable?

(7) How can we obtain a higher level of operating efficiency in the local school districts?

Method

The working papers and public hearing minutes of prior Commission studies on education were reviewed. Documentation on the Department of Education and the K-12 education system was also reviewed.

Twenty-eight state, county and local officials were interviewed on their perceptions of the role and contributions of the State Department of Education.

Based on this background information, the Commission held public hearings in Los Angeles and Sacramento in December 1981 and January 1982. Testimony was received from federal, state, county and local officials on the K-12 education system in general, categorical programs, and the role of the State Department of Education.

IV. PROLIFERATION OF CONSTRAINTS AND REGULATIONS

Education officials interviewed in connection with this investigation expressed the view that the State Department of Education's professional leadership and technicians were preoccupied with detailed prescriptions for program operations rather than program results. (This chronic, bureaucratic malady is not peculiar to only this Department, but also affects other agencies in public and private sectors of our economy.)

The Association of California School Administrators made the following, cogent observations in its Report of the Ad Hoc Committee on the Administration of State and Federal Programs (1977):

> "First, general, as well as categorical, aid imposes a substantial body of requirements on local districts. Districts which accept general aid are constrained in a number of ways. Districts must spend a minimum percentage of their budget on the classroom teaching staff. They must not exceed a certain maximum in the ratio of administrative to classroom teaching personnel. They must limit classroom size. They must keep schools in session for a minimum number of minutes each day and a minimum number of days each year. They must fulfill state mandated curriculum requirements. They must employ personnel who hold the appropriate state credentials. They must participate in the state assessment program. They must adhere to attendance and fiscal accounting requirements. This list of requirements is merely illustrative; the actual list that accompanies general aid is indeed extensive.
>
> "Second, categorical aid requirements are added to those which recipients of general aid must meet. Each time a categorical aid program is created the total set of requirements confronting local districts expands commensurately. Moreover, these add-on requirements often spell out in minute detail the ways in which funds are to be used and specify the procedures which local districts must follow in order to prove that their program expenditures are legitimate ones. Because categorical aid programs have increased dramatically... no one should be surprised to learn that school districts are lamenting the loss of local control. The quantity and scope of requirements associated with categorical and general aid are staggering.
>
> "Third, the level of general financial support which local districts receive has never been sufficient to meet all of the educational needs of their students. Consequently, districts are perennially vulnerable to charges of failing to meet the needs of some or all of their students. When specific unmet needs attract enough advocates to win support either from the Legislature or the Congress, another categorical aid program emerges."

In its recent report on The Aggregate Effects of Federal Education Programs (1981), Rand Corporation stated that since 1975, "the federal government has published four major new sets of requirements affecting school districts. It has also fundamentally revised and expanded the requirements governing such older programs as the ESAA; Titles I, IV and VII of ESEA; and vocational education. Most state governments have added their own

requirements and some have matched or exceeded the rate of increase in federal programs. In California, the state with the most programs of its own, school districts can be required to implement as many as 33 separate state categorical requirements."

The study found: "The new requirements cover such diverse aspects of educational policy as education for the handicapped, teacher training, students' rights to privacy and due process, sex equity, and education for the gifted. State and federal governments write and administer each new requirement separately from all previous requirements. School districts also tend to create separate administrative structures for the various programs. Requirements that have been kept apart at higher levels, however, all come together in the schools, the only organizations in the intergovernmental system that are too small to have a separate bureaucracy for each requirement. Principals and teachers must therefore cope with the combined effects of requirements that legislators and higher-level administrators can deal with separately."

Dr. Wayne Ferguson, Superintendent of the Fremont Unified School District, stated in his testimony to the Commission: "The major cause of the multitude of prescriptive regulations issued by the State Department of Education is the number of bills passed by the Legislature and signed by the Governor which contain phrases such as, 'The State Board of Education shall adopt rules and such regulations as are necessary for the effective administration of this article' or 'The State Board of Education shall do all of the following:..." He elaborated: "When I first came to California in 1956, its mandatory Education Code was approximately 500 pages. In 1976, the Legislature determined that the California Education Code should be of the permissive variety where school boards may initiate and carry on any program [or] activity... which is not in conflict with, or inconsistent with, or preempted by, a law and which is not in conflict with the purposes for which school districts were established. Nevertheless, the current Code has expanded to more than 1600 pages, and each year we receive from 500 to 600 pages of changes."

The State Superintendent of Public Instruction, in his testimony before the Commission in January, 1982, observed that, "We have volumes of Education Code filled with mandates, directives, controls and incentives that were sold as snake-oil cures for educational ills." He cautioned against any short-term efforts to improve the K-12 education system.

An urban city deputy superintendent said that the State Department of Education and the State Board of Education are still developing and reviewing regulations to implement the California Civil Rights Act of 1977 although new regulations are unnecessary. The state could simply adopt the federal regulations by reference.

Two superintendents expressed related thoughts on the inflexibility of current regulations which do not recognize diversity in the 1,042 school districts. Small districts must follow the same rules and regulations as large districts although the former have less resources to satisfy the requirements. Similarly, rules and regulations are often based on "worst case" districts but treat all alike.

In its analysis of the budget for FY 1979-80, the Office of the Legislative Analyst commented on California's excessive bilingual education program requirements: "...current legislation requires schools with School Improvement, ESEA Title I (including migrant), ESEA Title VII, ESAA bilingual and EIA funds to establish (a) 'partial bilingual,' (b) 'full bilingual,' or (c) 'bilingual/bicultural programs' in grades K-6 if they have 10 or more LES [Limited English-Speaking] children with the same primary language in the same grade or instructional group... By contrast, federal regulations merely require the district to 'take affirmative action' to remedy children's 'linguistic deficiency.' While the Office of Civil Rights has issued programmatic guidelines, they are advisory only, not mandatory."

The proliferation of program controls and regulations is associated with growth in the number of DOE personnel. State Department employees--exclusive of special schools, state libraries, surplus property, and the former Credentials Commission (moved out of the DOE in 1971)--increased from 852 in FY 1970-71 to 1,432 in FY 1980-81, an increase of 68 percent.

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V. FAILURE AND INEFFICIENCY OF PROGRAM CONTROLS

Rigidity is Not a Proxy for Effectiveness

Regulation of the categorical programs has not ensured efficient operations or accountability for effective results. The Legislative Analyst has commented on the questionable performances of a number of heavily regulated, categorical programs. Although a comprehensive review of program evaluations is beyond the scope of this report, the effectiveness of general and categorical instruction programs should be considered in other examinations to improve the accountability of California's $12 billion K-12 education system.

The Legislative Analyst made the following illustrative remarks (in FY 1979-80) about the dubious efficacy of bilingual programs:

> "Although bilingual programs are relatively new, several evaluations of these programs have been conducted. Some of these evaluations show increased learning in certain districts when children are taught in the bilingual environment. However, a major national study of ESAA, Title VII bilingual programs found no improvement for participating children. The study reported, 'The fall-to-fall achievement gains in English, Reading and in Mathematics Computation in Title VII projects were neither significantly nor substantially different from what would have been expected without participation in a Title VII project.'
>
> "Admittedly, this (like every) evaluation has been controversial. Nevertheless, the fact remains that proponents of comprehensive bilingual approach are not able to point to any hard evidence showing that this approach is superior."

In FY 1977-78, 233,000 California children (five percent of K-12 students) participated in bilingual categorical programs that spent $115 million in state and federal funds. This cost averaged nearly $500 per program participant and was in addition to the cost of general or "core" instruction. Overall costs of local school operations have increased about 20 percent since FY 1977-78 although attendance has declined approximately 10 percent. The State Department of Education estimates that there will be about 500,000 limited English-proficient children in California by 1990 due to the increasing number of persons immigrating from Mexico.

The Legislative Analyst concluded:

> "The lack of demonstrated effectiveness of the state's more [than federal] comprehensive and prescriptive requirements, coupled with the high cost of these requirements, persuade us that state law should not prescribe a bilingual approach. Instead, districts should be given fairly broad discretion to develop approaches that: (1) comply with federal regulations, (2) achieve the goals of assuring effective participation by LES/NES children in the instructional program, and (3) impose the least cost and administrative burden on the schools themselves. We believe that the state's existing requirement should be relieved either through legislation or Budget Bill language."

These sentiments were recently reiterated by Los Angeles County district superintendents who expressed a consensus that, "We need a reduction in regulation regarding ways to implement..." bilingual programs. [As implied in earlier discussion, program evaluation is the key to true accountability since neither excessive regulation nor deregulation are sufficient to ensure efficient operations or program outcomes.]

Rand Report on Unintended Interactions of Programs

In its study of the interactions of categorical programs and the regular "core" program, Rand researchers concluded that they "can affect each other's operations in the aggregate" and "produce outcomes none of them intended." The study empirically confirmed the complaints of many school and district administrators who "have reported that they experience severe difficulties administering large numbers of programs with complex, seemingly contradictory requirements."

Notwithstanding the many requirements of the categorical programs, and state and local efforts to effectively coordinate these programs, the study found extensive "interference" and "cross-subsidy" between programs.

"Interference" refers to the conflict between categorical programs and the core local program. Categorical programs were found to interfere with the core program in a variety of ways, including the following:

- They interrupted core classroom instruction. In some schools, children were pulled out of class for categorical programs so frequently that the teacher had the total class only 1-1/2 hours daily, and was unable to implement the state-mandated curriculum. Pullout problems were especially severe in districts where multiply eligible children were served by every program for which they were eligible. In districts with migrant Hispanic populations, students were often involved in 6 or 7 pullouts daily. Their instructional day was so fragmented that they failed to receive the state-mandated curriculum; by grade 5, many had received no instruction in science or social studies.

- They replaced the core instruction. All students in a school are entitled to core reading and math instruction. In addition, eligible Title I students should receive supplemental reading and/or math. To reduce the scheduling problems caused by multiple pullouts, many districts allowed the categorical program to replace the core program. Thus, disadvantaged students entitled to both core program reading and supplementary categorical program reading, for example, typically received only the categorical program reading.

- They clashed with teaching methods used in the core local program. In several districts, core and categorical programs used incompatible reading methods and instructional materials. Not surprisingly, many children became confused, and regular classroom teachers had to abandon their lesson plans in order to help categorical program children adjust to the differences in teaching methods.

- They imposed administrative burdens on teachers and principals. In some districts, categorical and core program teachers spent so much time developing Individualized Educational Plans for students served by P.L. 94-142, or charting the progress of Title I or bilingual students, that they had to reduce time spent in actual instruction.

- They caused staff conflicts. At the school level, scheduling problems, administrative burdens, and other problems of multiple program implementation resulted in staff conflicts. These conflicts undermined efforts to integrate the core and categorical programs.

- They segregated students for large portions of the day. Many minority students are eligible for categorical programs and are grouped for instruction, even in desegregated schools. If the students qualify for multiple programs, they may remain in segregated classes for much of the day. Hispanic, limited English-speaking students typically spent half the school day in segregated classes.

Rand researchers also found instances of "cross-subsidization" in which funds or staff intended for one categorical target group are used to provide services to another group. Rather than simply viewing this phenomenon as an "audit exception" which subverted federal intent, or rationalizing it as a misguided "coordination" of funds intended for similar purposes, the study recommended that some form of "lowering boundaries among categorical programs is desirable." (This phenomenon would be minimized by the Commission's recommendations to reduce the number of similar categorical programs and to permit expenditures for any of the purposes of these programs.)

Finance Report on Accountability and Coordination of Programs

A Study of California's Categorical Education Programs for Kindergarten through Grade 12, completed by the State Department of Finance in April 1981, corroborated elements of the Rand study. (The Finance study acknowledges what is evidently a preliminary version of the Rand study since the latter was subsequently published in September 1981.) Finance's study was based on interviews with more than 500 federal, state and local officials, parents, students and representatives of statewide organizations. A team of several analysts visited more than 75 schools and administrative offices within a period of seven months. The study was designed to provide detailed information on the extent to which categorical programs are coordinated so that "unnecessary overlap and duplication will be minimal, and efficient and effective operations can be anticipated."

Besides providing background for Finance staff to testify before legislative committees, the study was intended to assist the Legislature in its review of "fiscal and programmatic issues" (pursuant to Chapter 282, Statutes of 1979) pertaining to categorical programs. It was also intended to "assist the Administration and the Legislature in their deliberations of the Governor's 1981-82 Budget."

Finance's most significant conclusion was that it would be "difficult, if not impossible, to tell what precise effects specific categorical funds have had" because these programs "frequently do not retain programmatic

identity at the school level." The study ventured that it would be "nearly impossible to judge what consequences in academic test scores or other indicators of educational outcomes can be attributed to specific programs." Since "the major goal of most categorical programs is to improve students' performance in the basic skills of reading, language, and mathematics," this raises the ultimate issue of the need for greater program accountability.

The study also concluded that, "Despite provisions of federal and state law that require districts and schools to coordinate the application for and use of some categorical programs, comprehensive coordination generally does not exist among all categorical programs."

For a discussion of the structure of categorical programs, please see Finance's "Chapter II" in Appendix B of this report.

Report of the Association of California School Administrators (ACSA)

ACSA's 1977 report identified seven problems associated with the administration of categorical aid programs:

a. Implementation of Guidelines

"Problems arise from the lack of understanding of the distinction between regulations and state board policies and guidelines. (Regulations have the status of laws while guidelines and state board policies are advisory and lack the force of law.)

"Guidelines for implementing categorical aid programs are often given inconsistent and unclear interpretations which lead to confusion at all levels of implementation. Guidelines sometimes include restrictions which exceed the original scope and intent of the law. Curriculum mandates restrict the opportunity of students to receive a balanced program and also consume an inordinate amount of staff time and energy.

b. Advisory Councils

"The proliferation and overlapping of Advisory Councils at both the district and school level create unnecessary burdens on the staff and community. Problems also arise from confusion over the proper role and authority of Advisory Councils, costs of conferences and in-service training, conflicts between Advisory Councils and existing school and community groups, and requirements for selecting Advisory Council members.

c. Funding and Indirect Costs

"Appropriations that do not meet authorized levels lead to restriction of services needed by eligible students. Notification of funding comes too late for prudent planning. The current allowances for overhead and indirect costs fail to cover the costs of administering categorical programs.

d. Fiscal Auditing and Comparability

"An inordinate amount of time and energy is devoted to verifying that categorical funds are being spent on the target population and are supplementing rather than supplanting district funds. Current comparability requirements inhibit sound utilization of personnel. Some local districts question the validity of comparability audits and the qualification of auditors. An independent audit, in addition to the mandated annual audit, appears redundant.

e. Assessment and Evaluation

"Required needs assessments tend to be unduly costly in staff time and money and impose an especially heavy burden on small districts. Often there are no clear guidelines as to what constitutes an acceptable needs assessment; this lack of clarity sometimes results in needlessly excessive surveys which generates resentment among those surveyed. Program evaluation also tends to be costly and time consuming. The mandated processes are often too complex for staff and parents to implement which creates anxiety and resentment within the school. Monitor and review procedures by the funding agency frequently duplicate rather than supplement local evaluation efforts. Furthermore, there is at times a lack of consistency in the recommendations and the qualifications of personnel conducting the reviews.

f. Target Population Requirements

"Requirements to restrict the use of personnel, materials, and equipment to the target or eligible population leads to excessive recordkeeping and inhibit sound educational practices in schools with a mixture of target and non-target students. The grouping of eligible students in some categorical programs may run counter to integration efforts. Some eligible students are not being served by categorical programs because the funding level is inadequate.

g. Paperwork

"The paperwork requirements of categorical programs cause district personnel at all levels to spend an excessive amount of time in preparing reports and applications, keeping records, and gathering information for needs assessments and evaluations. There are also problems inherent in the forms which generate the paperwork: insufficient copies of forms, unclear instructions, frequent revisions of forms, unnecessary information requested, and needless duplication of information required."

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VI. EFFORTS TO REDUCE EXCESSIVE REGULATION AND PAPERWORK

The Department of Education's "Consolidated Application" and the "School Improvement Program" are two positive attempts to address problems of excessive paperwork and multiple layers of categorical requirements.

Consolidated Application

The Consolidated Application integrates into one application form several categorical programs, including special elementary school reading instruction, school improvement, compensatory programs under Title I of ESEA, educationally disadvantaged youth programs, school library resource programs, educational innovation and support funding, State preschool programs for public schools, the Bilingual Education Act of 1972, the Chacon/Moscone Bilingual/Bicultural Education Act of 1976, and local staff development programs.

A Department of Education "School Program Development" manual for schools receiving Consolidated Application funds states that, "It is important to note that all of the funding sources within the Consolidated Application have a common purpose: that of improving the quality of education experiences by the students at the school. Whether the funds are intended for all students or for selected students identified because of special needs, they are to be used by schools to help make their existing school program more fully meet the needs for each student.

"Although Consolidated Application funds must be used to supplement, not supplant existing resources, schools must understand that their task is not to decide how to add on to the existing program or how to plan extra projects which will help students overcome deficiencies resulting from earlier educational experiences at the school. Rather, the task is to examine the effectiveness of the existing program and its responsiveness to student needs, interests and ways of learning."

The Consolidated Application still has all the requirements of the individual programs included in the Consolidated Application, but school districts do not have to repeat the common supportive data which each program requested separately in the past. This simplified paperwork.

The Consolidated Application requires a comprehensive plan for use of individual programs' funds. The Department admonishes school districts to coordinate the services funded by the separate programs to meet the needs of all students while maintaining the separateness of funds and benefits. Efforts to maintain this "separateness" and "specialness" of categorical aid resources and services for targeted recipients are the genesis of prescriptive statutory and regulatory control over funds, services, procedures and instructional strategies used to address their needs.

School Improvement Program (SIP)

The School Improvement Program can be viewed as a categorical program layered over the other categorical programs in an attempt to ameliorate problems created by the number of programs operated by local school

districts. It is somewhat a misnomer to characterize the SIP as a "categorical" program although it has been structured administratively to fit this model. The program is based on the idea that the school and its local community, rather than the district or the state, should have primary responsibility for improving education by blending the categorical programs and core program for the benefit of all students. The SIP is intended to provide a framework in which schools and districts can systematically plan, implement, evaluate, and improve their education programs.

The Department's evaluation of the Consolidated Application program (See The Evaluation of Consolidated Application Programs, 1979-80) states, "SIP recognizes the value of additional funding for educational programs is not necessarily incremental, that is, simply throwing more money at a set of educational needs or problems will not necessarily deliver incremental changes in either program improvements or outcomes...Under SIP the district has overall responsibility for giving leadership, policy direction, and technical assistance to school improvement efforts at local schools."

The State Legislature made significant efforts to address apparent problems when it enacted the "School-Based Coordination Program" and updated the sunsetting legislation titled, "Evaluation and Termination of Programs" in the 1981 session.

School-Based Coordination Program

Chapter 100 of the Statutes of 1981 provides a school-based coordination program pursuant to which a school district or a school may apply to receive categorical funds without complying with the provisions of law relating to these programs. This Act requires the establishment of a School Site Council at each school which participates in a school-based coordination program. The School Site Council is required to develop a school plan regarding the operation and evaluation of the program.

The Act indicates the intent of the Legislature to provide greater flexibility for schools and school districts to better coordinate the categorical funds they receive while ensuring that schools continue to receive categorical funds to meet their needs. It further indicates legislative intent to focus the authority to exercise such flexibility at the school level with the approval and under the policy direction of the governing board.

The measure allows districts to request the State Board of Education to waive all or part of the sections of the Education Code relating to categorical programs with certain exceptions. It requires the State Board of Education to approve any and all requests except in cases where it specifically finds certain conditions which are a basis for denying the requests. These waivers would be for a period not to exceed two years. The Department is required to collect data on this process and report to the Legislature, the State Board and all school districts on the number and type of waivers, the actions of the Board, and sources of further information on existing or possible waivers.

The Act establishes a rather involved procedure which operates on a district-by-district basis. It leaves the system with excessive regulation for most school districts and requires the Department of Education to operate an additional set of requirements.

Evaluation and Termination of Programs

Chapter 100 provides that, if the Legislature does not enact legislation to continue a program, the funding of such a program shall continue for the general purposes of that program with the funds being disbursed according to the eligibility criteria and allocation formulas for the program in effect on the date the program ceased to operate pursuant to sunsetting. Such funds would be used only for the limited or intended purposes of the program, but all the relevant statutes and regulations adopted regarding the use of the funds or the operation of the program would cease to be operative.

The legislation does provide that parent-advisory committees and school site councils would continue. It provides that the State Department of Education and the Auditor General would audit the use of these funds.

It further provides that, "the Legislature shall begin immediately a detailed study which shall ensure that each funding source and program be scrutinized regarding, but not limited to, the: (1) appropriateness of identification formulas in determining which children have special needs; (2) appropriateness of allocation formulas and adequacy of funding; (3) effectiveness of programs; (4) appropriateness of local control; (5) appropriateness of state level involvement in monitor review and auditing to ensure that funds are being used efficiently, economically and legally; (6) appropriateness of cost of administration at all levels of operating these programs, and (7) appropriateness of Department of Education administration of categorical programs."

This Statute offers exactly what districts say they need, namely "deregulation." It does not require any specific results in the use of the funds, just that they be used for the purpose intended. The Commission believes this basic deregulation has merit except that the State Board should prescribe student achievement criteria and rates of progress to be realized from application of these funds to the special needs of students. The "how-when-where" should be determined by the providers -- local school districts.

The Education Improvement and Consolidation Act (EICA) of 1981

The Federal Congress is also addressing the problems of paperwork and process-control in the Education Improvement and Consolidation Act of 1981. This Act reflects a number of concepts developed and recommended in California and exported to Washington, D.C.

Chapter I of this Act superseded Title I of the Elementary and Secondary Education Act of 1965. Title I is the federal assistance program for educationally deprived students. The declaration of policy intent indicates

that the provision of federal funds to meet the special needs of such populations is being provided "in a manner which will eliminate burdensome, unnecessary and unproductive paperwork, and free the schools of unnecessary federal supervision, direction and control."

The funding formula and the eligibility criteria are the same as in the former Title I law. Program requirements and applications have been substantially simplified. The LEA (Local Education Agency) may receive a grant if it files an application with the SEA (State Education Agency) and the SEA approves it. Such application "shall be approved if it provides assurances satisfactory" to the SEA that basic records, such as those required for fiscal audits and program evaluations, will be maintained. The described LEA's programs must operate in schools which have the highest concentration of low-income children according to an annual needs assessment. The programs must be of sufficient size, scope and quality, and must be designed and implemented in consultation with parents and teachers. The programs will be evaluated using objective measures of basic skills achievement and sustained improvement. They must also make provision for educationally deprived children in non-public schools.

The detailed requirements of the former Title I statute with regard to selection of eligible school attendance areas, children to be served, design and implementation of programs, parental involvement, training, complaint resolution, excessive costs, school-wide projects and non-instructional duties have all been repealed.

Fiscal accountability requirements of "maintenance of effort," "supplement non-supplant" and "comparability" remain the same except that greater use is made of statements of assurance.

The Act creates a legal presumption that state and local agencies have complied with the law. It is up to the federal government to show when they have not. This return to the principle "innocent until proven guilty" tends to place greater emphasis on "management by exception" at the state and federal levels. EICA-Section 591[c] also provides, "Regulations issued pursuant to this subtitle shall not have the standing of Federal statute for purposes of judicial review." States are permitted to use independent auditors and to accept annual audits of school districts.

The EICA is a significant reform. Although it comes at a time when substantial cuts are being made in the program, EICA changes provide an opportunity for the State Department of Education to further simplify the Consolidated Application procedure. Of course state statutes and regulations patterned after Title I would need to be changed. Although EICA changes substantially comply with the Association of California School Administrators' proposals, they retain much of the business-as-usual control of funds for narrowly defined purposes. As the Department of Finance study indicated, much of the "separateness" of the funding and benefits are a facade when they arrive at the school level. The state should reduce paperwork to the maximum extent permitted by the EICA changes.

VII. FROM PRESCRIPTIVENESS TO ACCOUNTABILITY

Who Is In Charge?

Accountability for achievement and efficiency is more difficult to establish than simple fiscal compliance with program requirements. Accountability for instructional programs is diffused throughout the education system.

Local school officials claim they have very little control since they are constrained by overly prescriptive statutes and regulations. They believe there is excessive direction in "how" to educate and very limited attention to goals, objectives, and specific achievement expectations.

The President of the State Board of Education, who has also been a local board of education member, believes that the State Board has very little power or authority and that the local school boards have lost authority they once had because of the shift in financing of education.

The State Superintendent of Public Instruction has stated, "local control is the foundation of policy-making for education in this state." The Department of Education follows the directions of the Legislature, State Board, and State Superintendent of Public Instruction.

School Officials are Willing to be Responsible and Accountable

"An Education Update," a newsletter for district superintendents from the Los Angeles County Superintendent of Schools, Stewart E. Gothold, summarized the concerns of superintendents in Los Angeles County as they responded to a recent survey. These responses represented the professional judgments of the chief administrators responsible for educating over 30 percent of the K-12 public population in California--that is, superintendents of the 95 school districts in Los Angeles County. Dr. Gothold stated:

> "As I have reviewed the results of this survey, there is a theme that seems to run through all the responses. The theme, simply put, is 'give us the resources and freedom to provide quality schools, and we don't mind being held accountable.' As you review this special issue and read the survey results you will note that the concerns of superintendents revolve around the constraints placed on the schools from a variety of sources. In a time of tight finances, it is unreasonable to assume that the simple solution of more money will redress deep-rooted and long standing concerns. Rather, priorities must be established to insure the continuation of a strong and improved system of public education in California. This would include, it seems to me, looking for ways of freeing-up the system to do more with the same. This implies a need for greater flexibility in the use of existing resources.
>
> "A logical consequence of greater flexibility would appear to be the need for more clearly defined accountability. My colleagues and I accept that challenge and, in fact, welcome it. Local control is a myth, unless authority accompanys responsibility -- and we don't mind being accountable."

The Sacramento County Superintendent, Dr. William Cunningham, stated in his testimony before the Commission:

> "Local control means to me, you tell me what you expect me to accomplish and hold me responsible to accomplish it, as long as it is a reasonable expectation. But don't tell me how to do it. That's process; that's rules and regulations; that's paperwork; that's more administrators to fill out the paperwork. If I'm not competent to do what you expect of me in my way -- in my community -- each of which is unique unto itself, then get somebody else to do the job. Fire me. But don't tell me how to do (it) and expect me to be accountable for your way of doing it. That's unreasonable."

Dr. Glenn R. Houde, Superintendent of Elk Grove Unified School District, stated in prepared remarks for the Commission's public hearing on the K-12 education system:

> "Let me suggest that what we need -- if our purpose is to become both more efficient and more effective -- something we can call 'legislation by objectives.' If legislation can be written so that the intended outcomes are specific and clear, and equally clear about what will be seen as success in accomplishing these outcomes, then school districts can and should be held accountable for producing the targeted outcomes. Laws written in such a manner would make unnecessary the translation by the State Department of Education of the law into programs which almost always move away from purposes and focus on telling school districts how to organize, manage, and deliver the program."

Dr. Wayne S. Ferguson, Superintendent of the Fremont Unified School District, in his testimony before the Commission admonished the Commission:

> "The most courageous act you as members of the Little Hoover Commission could do, and one which would endear you to every person dealing with schools in the State of California, would be to suggest that the members of the State Legislature, who are every bit as sincere and dedicated as local boards, leave process out of their legislation and concentrate on results. In other words, suggest to the legislators, who are striving their best to serve their constituents, that they could best serve those constituents if they would quit sitting as a SUPRA SCHOOL BOARD. Suggest that the Legislature develop the broad outline of what they want the schools to accomplish in behalf of the students of the state, and then get out of the way and let local boards of education, teachers and administrators determine how best to accomplish those goals."

Statewide Leadership and Accountability

Statewide leadership and control are crucial to holding school districts accountable and to increasing their effectiveness and efficiency. The districts should benefit from professional direction and leadership to keep the school system "abreast of the times" and control to keep it "outstandingly strong, and economically sound." Leadership is provided by the

State Superintendent of Public Instruction and the State Board of Education. Leadership is also provided by the Board's Educational Management and Evaluation Commission, and by the Department's Office of Program Evaluation and Research.

Evaluation and research are critical elements of leadership. The policy direction of evaluation is most clearly set forth in the statutes establishing the master plan for special education. It provides that the local school districts are responsible for evaluation of the program. (The Department, in carrying out that policy direction, has established seven technical resource centers in county offices to assist the local school districts with this responsibility.) Evaluation activities at the state level are primarily characterized as "special evaluation" studies.

The Department of Education develops information on district instructional programs and financial transactions through the "California Assessment Program," the "California Basic Education Data System," and the "Fiscal Accounting System." These systems provide aggregate data on educational outcomes, district operations, and fiscal accountability. They also provide potentially useful information for management intervention when program objectives are not realized.

The California Assessment Program (CAP) demonstrates the quality and usefulness that aggregate student achievement information can have -- and its limitations. CAP offers the possibility of control focused on results of the instructional activity. CAP or similar data could identify, on an exception basis, the districts and schools which do not perform according to expectations. This signal could alert the local board and Superintendent to the probable need for better management and/or more resources to achieve student expectations.

This type of control focuses attention on the purpose of the programs rather than the process. It permits local school districts flexibility and achieves legislative needs for program accountability without massive "process controls." The state-level resources consumed in excessive regulation can be redirected to intervention when serious exceptions to expected student achievement are not successfully redressed by local school boards.

The following courses of action might be initiated in exceptional circumstances: (1) The Superintendent of Public Instruction would notify the President of the local School Board that the district was substantially below expectation in the area(s) of student achievement and/or operational efficiency. The School Board would be requested to report actions being taken to remedy identified problems. (2) If there were no subsequent improvements, the Department of Education would be directed to send a review team to the district to further define the problems and recommend corrective action which the district should take. The cost of this review team might be borne by the delinquent district. (3) If the district still failed to achieve reasonable expectations, the State Superintendent might issue an order to show cause why the district should not be placed under a trusteeship. As elsewhere noted, extreme malfeasance could also result in sanctions being initiated against the credentials of school administrators.

Fiscal Audits

Testimony of state and federal auditors indicated that the state fiscal control system is not excessive. The State Auditor General, who is a strong advocate of the single audit concept in state government, believes this concept is particularly applicable to the annual audit and review of school districts. Public accountants, the Department of Finance, the Department of Education, and the State Controller's Office conduct various audit activities in California's 1,042 school districts. District audits conducted by public accountants currently use standards developed by the Department of Finance in cooperation with the Department of Education and the Office of the Auditor General. In recent years, these compliance standards have been expanded to include specific programs in school districts. The Auditor General believes these standards can be augmented so that the annual audits include a review of the control systems used by school districts to ensure program compliance. This would reduce the need for unnecessary auditing of school district programs by state agencies. This concept assumes flexibility for state agencies to conduct expanded audit testing in those school districts in which the annual audits reveal serious instances of non-compliance with state requirements.

Managerial Efficiency

Prior hearings of the Commission have identified wasteful school management practices including underutilization of facilities and excessive deferred maintenance. Superintendent Riles testified that the Department staffs a management assistance unit which to some extent assists school districts in management improvements.

Many small local education agencies do not have the time, staff, or means to examine and critique existing management practices objectively and independently -- yet they must effectively use increasingly scarce resources. Consulting services are needed to provide assistance, direction, training and improvement in the noncurricular areas of planning, organization, administration, and operation of local education agencies. The administrative services program activity of the Department of Education addresses these needs when "requested." On a limited basis, the Department conducts special management studies of general interest to the school districts and issues reports for their information and guidance. An example of this would be a study of automated systems for scheduling school bus transportation.

The Commission recognizes that ad hoc approaches to the problems of educational management are as ineffective as band-aids when surgery is required. The recommendations contained in this report are directed to the development and utilization of a management information system equal to the needs of California's enormous, $12 billion education system. This management system would permit instructional flexibility while emphasizing district accountability for instructional excellence and operational efficiency. The Commission believes such a system would reduce state-level cost, permit greater leadership through research to keep the system current with the times, and encourage more efficient use of limited resources at the local level.

in suburban sacramento

SAN JUAN UNIFIED SCHOOL DISTRICT

3738 Walnut Avenue • Carmichael, California 95608 • 916-484-2011

March 25, 1982

APPENDIX A

Mr. Les H. Halcomb
Commission on California State
Government Organization and Economy
11th & L Building, Suite 550
Sacramento, CA 95814

Dear Mr. Halcomb:

I am pleased to submit to you the district's responses to various recommendations the commission has made concerning management practices in San Juan.

You will find that we concur with the commission's recommendations and will be continuing to implement the successful practices and approaches in the district.

Your report has been reviewed by the Board of Education members and they were in agreement with the administration's responses to each of the commission's recommendations.

I, again, want to take this opportunity to thank the commission, yourself, and staff members Burke Roche and Chuck Moss for the support and commendations the district has received.

We appreciate the kind consideration afforded the district and its staff members and feel that your findings and recommendations are very insightful and helpful.

It has been a pleasure working with you.

Sincerely,

Fred

Fred J. Stewart
Superintendent

Attachment

FJS/ec

cc: Stan Nielsen
Board of Education President

SAN JUAN UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item # G-4

Meeting Date 3/23/82

SUBJECT: LITTLE HOOVER COMMISSION REPORT
(Commission on California State Government Organization and Economy)

DIVISION: Superintendent's Office

ACTION REQUESTED:

Receive report of the Commission on California State Government Organization and Economy and proposed responses by the administration to various recommendations made by the Commission.

RATIONALE:

The Commission on California State Government Organization and Economy conducted a study of management practices of the San Juan Unified School District during the fall of 1981. The staff of the Commission gathered extensive information on district operations during this period and Mr. Post, a member of the Commission, visited numerous sites in the district.

On November 11, 1981, the Commission received testimony from Naida West, then board president, Stan Nielsen, clerk of the board, and Fred Stewart, superintendent of schools.

Based on all the information compiled, the Commission has published a report that commends the district's management practices. Included in the report are recommendations dealing with various areas of the district's operations. The administration has developed a response for each recommendation in the report for board review on March 23.

PREVIOUS STAFF/BOARD ACTION:

Staff and board members cooperated fully with the Commission and its staff and provided all information and reports requested.

FYI & report sent to board: 1/26/82. Complete report is on file in the board office. ←
Scheduled for the 2/23/82 board agenda; item deferred.

FINANCIAL DATA:

CONTACT PERSON: Fred J. Stewart, Superintendent of Schools

SAN JUAN UNIFIED SCHOOL DISTRICT

RESPONSES TO RECOMMENDATIONS

INCLUDED IN THE REPORT FROM THE

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

March, 1982

1-05869

Recommendation 1

This recommendation is not directed to San Juan officials, but to officials in other school districts who are experiencing declining enrollment and as a consequence are confronted with the problem of underutilized facilities. These officials should obtain copies of the San Juan planning and procedures documents which the district used to close five elementary schools.

Other districts may alter the strategy or change some criteria and procedures, since circumstances are bound to be different in different districts. Nevertheless, the care and skill with which San Juan planned its closures, developed its criteria, and carried out its evaluations should provide other districts with valuable information on closing and consolidating under-utilized schools. In particular, the information should help other districts to avoid the negative response and active opposition that a number of districts have recently experienced in attempting to close schools.

Recommendation 2

This and the following recommendations apply to San Juan District officials.

Continue the analysis of underutilized school facilities using the methodology established in closing the elementary schools. Action on improving utilization of high schools is particularly urgent. At the same time, since excess capacity has been reduced from 21.5 percent to 12.1 percent, care should be taken not to sell facilities which may later be needed. Where demographic projections indicate that additional facilities will be needed in the late 1980's and 1990's, leasing currently unused facilities offers an opportunity for increasing revenue and at the same time protecting current investment for future requirements.

Relief Measures for Overenrolled Schools

While enrollment in the southwest area of the district has declined, enrollment in the northeast has increased, leading to seriously overcrowded schools.

Since 1980, the Board has used funds from various sources, including impact funds levied against developers of new subdivisions, to construct new facilities and add portable housing at overenrolled school sites. It has also changed school boundaries, bused children to less crowded schools, and taken other measures to relieve overcrowding.

Most recently, the district is working to complete an application for state funds under the provisions of Assembly Bill 8. Final state approval is scheduled for May 1982.

Executive Planning and Direction

The new Superintendent has developed a generally open and participatory management environment. The management system stresses formal written goals and objectives with time lines and evaluation of products.

At the beginning of each year a detailed goals and objectives report is compiled for each department in the Business, Personnel and School and Instruction Divisions. At the end of the fiscal year, corresponding reports are issued evaluating the degree of attainment achieved for each goal and its associated objective and activities.

In the personnel area the district has placed heavy emphasis in the last two years on improving performance evaluation, refining recruitment and selection of substitute teachers, and expanding its affirmative action program.

RESPONSES

Recommendation 1

The plans and procedures developed for school consolidation in the San Ju Unified School District have worked effectively because of a massive effo to involve the community in planning and implementation of consolidations The district would be glad to share documents and procedures with other school districts that are confronted with the problem of under-utilized facilities.

Recommendation 2

The planning department will continue to utilize the district's consolida tion task force in the analysis of under-utilized school facilities. Part lar attention will be directed to the district's high schools as suggeste in the commission's report. The district has expended major efforts in developing demographic projections which detail plant utilization through year 2000. These demographic projections will be utilized in the negotia of lease and sale agreements which as the commission recommends will incr district revenue and provide for future housing requirements.

Relief Measures for Overenrolled Schools

The planning department will continue to utilize residential impact fee r sources to relocate portable classrooms and trailers at overenrolled site Additionally, school boundaries have been and will continue to be modifie to decrease the effects of over and underenrollment. Permanent solutions overenrolled schools are almost totally contingent upon funding availabil and recent legislation and fiscal conditions have placed these funds on "

The school district through carefully prepared demographic projections ha planned for optimal use of all existent school housing. Additional facilit as previously stated must depend on the allocation of additional funds.

Executive Planning and Direction

The establishment of goals and objectives for the district has been a coo ative process involving the Board, the superintendent and the staff. Thi total process has created an awareness in district personnel of the needs and of the goals and objectives established at all levels to meet those n The totality of involvement in the establishment of district goals and objectives has created an "ownership" syndrome shared by all staff member who in turn feel a high level of commitment toward goal accomplishment.

Operational Planning and Budget Development

By order of the Board, the staff has made a major effort in the past two years to simplify budget documents and increase their clarity. The Board has invited broad community participation in the budget planning process and has emphasized an open book policy.

Reviewing the 1981-82 budget submitted by Superintendent Stewart, the Board made budget cuts amounting to $3 million. Altogether, the budget cuts resulted in the elimination of 96 employee positions--8 management, 16 certified (teachers) and 72 classified (non-teachers, i.e., instructional aides, health assistants, accountants, clerks, craftsmen, custodians, bus drivers, and food service workers).

This year, the district negotiated salary increases of 6.75 percent for both certified and classified employees. The increases will cost the district $4.96 million. As a result of the budget cuts, however, the total increase in the 1981-82 budget over 1980-81 actual expenditures is $4.1 million, or 3.7 percent. A national economic forecasting firm has estimated that state and local governments generally will experience price increases of 8.6 percent during fiscal year 1981-82. By this measure, the increase in the San Juan School District budget is five percentage points below expected inflation levels.

Although enrollment has decreased by over 8,000 students since 1970, total employees have increased from 3,100 to 4,100, an increase of 32 percent. Explaining this apparent contradiction, the district states that despite the decrease in enrollment, the workload in San Juan, and in all school districts in California, has increased rather than decreased. The workload has increased because of the massive expansion in recent years of special educational programs mandated by the federal and state governments, in particular programs for the educationally disadvantaged and the poor.

Recommendation 3

In developing the final budget, continue the practice of requesting the Superintendent to submit to the Board of Education a list in priority order of budget reductions which he recommends and an additional list which he does not recommend. Since the Legislature does not adopt the state budget until close to the end of the fiscal year in July, the Board does not have an exact projection of funds available at the time when the Superintendent submits his Tentative Budget in June. The reduction lists give the Board time to review and decide on which cuts can be made with the least harm to the quality and level of educational service if state funding is less than expected.

RESPONSES

Operational Planning and Budget Development

The Commission's report accurately reflects San Juan's budget development process and our anticipated financial situation for 1981-82.

Recommendation 3

If the provisions of existing law (AB 777) are fully funded, the district will not experience as many difficulties in planning for 1982-83 as it did in planning for 1981-82. For example, our initia financial projection for 1981-82 showed a deficit of roughly $1 mill This compares to an apparent surplus of almost $1.6 million in the 1982-83 projection, which resulted not only from anticipated growth in revenues but from the roll-on benefit of 1981-82 expenditure reductions.

Recently, however, legislation has been enacted (AB 1253) to strip away one fourth of the cost of living allowances that school distri were scheduled to receive under AB 777. As a result, the entire $1 million surplus has been erased. There is reason to hope that addi tional funds will be made available in the 1982-83 State Budget Act but the district must develop contingency plans for budget reductio in the event this does not occur.

Once again, then, we face a situation in which the board, staff and public must draw together to make difficult choices concerning the educational program. The success of last year's budget process indicates that this can be accomplished in a constructive and fair manner with a maximum of participation from all concerned.

Recommendation 4

Continue the program of simplifying and clarifying budget documents. Expand explanatory comments, in particular on those items where substantial increases or decreases have occured in comparison with prior year expenditures. Where legally required budget titles are not clear for a class of expenditure, explain the actual nature of the item in parentheses or in a footnote. For example, the item Travel and Conferences increased in 1981-82 by $108,000, to reach a level of $450,000. Both the increase and the total seem extravagent for a public agency of 4,000 employees until one understands that most of this expense is for reimbursement to special teachers, teachers' aides, counselors, consultants, and other employees for travel within the district, rather than travel outside the district to educational conferences.

Management Information System

The district has a batch driven, automated management information system, with equipment operated on a three-shift, five-day week.

In 1980 the district issued an RFP to provide additional capacity and an interactive capability. The new computer is scheduled to go on-line in the first quarter of 1982. The district has a five to seven year plan of implementation to cover all automated information requirements.

The new capability will provide management with more timely information on student and employee records, encumbrances and expenditures, equipment and facilities maintenance, and pupil transportation. The goal is to reduce hardware, software and maintenance costs by 25 percent, now at a level of approximately $1.74 million.

Recommendation 5

Before the new Univac computer goes on-line in the first quarter of 1982, develop systematic control, evaluation, and trade-off procedures to insure that the increased data processing capability is applied to information requirements which promise the highest cost-benefit returns.

Expenditure Control and Reporting

In 1980-81, the district initiated an extensive campaign to tighten control over expenditures.

The district now uses a basic encumbrance procedure which requires all purchases to be posted against budget allotments prior to issuance. In April 1981, the administration implemented a new automated system for payroll and personnel information. The new system combines all information in one file, provides easy access and change capability, and insures that the information on each employee is not contradictory.

Developing accurate reporting of average daily attendance figures (ADA) is extremely important to any local district. State funding allocations for regular classroom teaching, as well as for many of the special educational programs, is based on ADA. For 1981-82, with the new computer due on-line in the first quarter of 1982, the district has set as a major goal the automation of attendance at all K-6 and 7-8 schools.

As a result of the public auditor's report of 1980, the district has initiated a program to tighten up and reduce the investment in inventories by 50 percent. The audit report cited no exceptions to responsible accounting of district funds.

RESPONSES

Recommendation 4

The district views this recommendation as totally justified. New budg documents are being prepared on a recently acquired word processor wh will permit the expansion of comments and supplementary information g clarifying budget content and procedures. The new budget format will clude a total district organizational chart for which there have been numerous requests.

With regard to the commission's comment on travel expenses, it must b recognized that less than $50,000 of general fund money was budgeted conferences outside the district. Care will be taken in the future to indicate the major portion of this appropriation is for automobile tr portation within the confines of the school district and is essential the operation of the educational program.

Management Information System

The new 1100/60 computer scheduled to go on-line during the first qua of 1982 completed acceptance testing on February 27, 1982. District personnel are now installing programs on the 1100/60. Guidelines are progress which will determine the control and implementation procedure essential to efficient usage of the district's new computer.

Expenditure Control and Reporting

The commission's report has accurately described our activities in t areas. Design of the new automated ADA reporting system is proceedi schedule. It should be tested and in operation by June, 1982, using rented computer time provided by the California Department of Justic When new Univac equipment is installed, the district will be able to the system immediately to our equipment since San Juan's new system fully compatible with that located at the Department of Justice.

In addition, we have also automated our ADA forecasting model using mini computer located in the planning department.

Maintenance and Operations

One of the major items involved in cutting the 1981-82 budget by $3 million, was reducing custodial service to every other day cleaning. This action eliminated 50 custodial positions. Savings are estimated at $661,000 annually.

The district has a backlog of deferred maintenance of $18 million. The annual allocation in recent years has been around $260,000. The district has conducted a survey of unused property and has identified 191 acres of excess land at 54 school sites. The property has an estimated value of $5.7 million. The district is now identifying those parcels which can be sold. The revenue will be used to reduce deferred maintenance and to help bring it under manageable control.

Recommendation 6

Investigate the savings potential in contracting with private firms for such services as security, custodial, maintenance and food services.

Transportation

The district commissioned a pupil transportation study in 1981 by Price Waterhouse Company and Edgar Management Consultants. The study recommends changes in routing, corner stops, vehicle replacement, parts inventory control and fringe benefits. It also recommends initiation of a parent pay program. Savings are estimated at $450,000 to $900,000. Most of the savings would be realized from the parent pay program. These savings may not be achieved, however, since existing state law allowing parent pay is scheduled for sunset in June 1982.

Collective Bargaining

Both district and union officials report that management-union relations and communication have improved significantly in the past two years. The district has encouraged participation by employees and their representatives in policy formulation, budget development, and personnel procedures. Union representatives sit on the Superintendent's cabinet, together with the President of the PTA Council and district officials.

The district stresses mutual problem solving in the negotiating process.

Despite improvement in management-union relations, the negotiating process remains a high risk area for management-employee conflict and work stoppage. Until the state budget is adopted--usually only days before union contracts expire--neither management nor the union is in a position to reach agreement, since they do not know what funds are available.

As a consequence, negotiations in past years have rarely been smooth. In 1977 teachers struck for four days. This year the contract was settled before the school year began--the first time since 1977.

RESPONSES

Maintenance and Operations

M & O will investigate the cost and practicality of providing custodia and/or maintenance service through contracting with private vendors.

Recommendation 6

Food Service: The food service department will request a proposal from a food service management company which will be reviewed by district administration.

Transportation

The commission's statement pertaining to transportation reflects the recommendation of the consulting firm. Changes in routing, placement c stops, increased walk zones, elimination of "double bussing" service to adjoining high schools and a time change for intermediate schools was accomplished for the 1981-82 school year with a budgeted savings of approximately $300,000. Reductions in the fringe benefit program woul subject to negotiations. The new parts inventory program recommended the consultant would require new employees to be added to the departme escalating costs in this area.

The board, after a thorough study, declined to institute a parent pay gram in view of the fact that authorization to do so would expire in J 1982. Opposition to such a plan on the part of citizens was evidenced a survey taken by the district's research and evaluation department; ever, it may be necessary for the district to reconsider its position parent pay as funding for transportation becomes increasingly difficul maintain.

The transportation department will continue to study route changes and service levels to effect further savings.

Collective Bargaining

The office of employer/employee relations will continue to work with r resentatives of the various bargaining units maintaining open lines of munication between bargaining units and the board.

In preparation for negotiations for 1982, the administration and emplo organizations will attempt to define those problems which should be addressed by both parties in the course of negotiations. Administrati and the bargaining units plan to examine projected revenues and expend tures for the 1982-83 school year.

The administration is confident that improved relationships between ma ment and the associations will continue and will provide the basis for tract settlements prior to the beginning of the 1982-83 school year.

Recommendation 7

Continue the program of mutual problem solving in management-union relations. Expand it to all areas where it promises to be effective in reaching mutually satisfactory agreements in contrast to the adversary proceedings of the bargaining table.

Community Involvement

The district stresses formal community participation in all of its activities. To provide structured community input, the Board has established six citizen advisory committees. The Board also appoints ad hoc committees from time to time on particular programs; e.g., Graduation Requirements Committee.

A Principals and Presidents Council, consisting of the ten high school principals and presidents of the PTA or Parents Club, meets monthly to review problems, make recommendations, and prepare presentations to the Board of Education. An Intermediate Schools' Parents and Administrators Council performs a similar function for 7-8.

The Superintendent is a member of the PTA Council, regularly attends its monthly meetings, and is often on the agenda. The Associate Superintendent meets each Friday with parent representatives from all schools located within the attendance area of two high schools.

Recommendation 8

In the November election, three new members were elected to vacancies on the San Juan School Board. The new trustees, in conjunction with the two current trustees, should continue the district's emphasis on community involvement.

Virtually all authorities on education agree that the gravest problem facing public education today is the growing disillusionment and disparagement over the quality of education provided by our tax-supported schools. More and more we read reports of confrontations between taxpayers and school administrators over financial support of the public schools. In some cases--most recently in Michigan--school districts have been forced to close down.

During the course of our study, Peggy Dial, President of the San Juan PTA Council, and others told the Commission that the district had strong support and approval from parents and the community. They attributed the positive response to the concentrated effort the district has made to communicate with and involve the community in its decisions and daily operations. Our concluding recommendation is based on this finding. No other area, perhaps, is more important to maintaining and improving the quality of a district's educational services.

RESPONSES

Recommendation 7

The superintendent, director of employer/employee relations and the per office are working with leaders of employee organizations on a daily b discussing problems which have in the past been resolved at the negoti table. This process is proving to be successful and the administratio tends to continue the practice of reducing the number of adversary iss A new spirit of mutual problem-solving has vastly improved communicati between management and the work force.

Community Involvement

The board and administration involve the community extensively in ord facilitate problem solving. In addition to board established advisory mittees, a large number of other citizen staffed advisory bodies, com councils and other groups function in the school district. The board nizes the importance of parent/citizen support in the decision making and regards citizen input as essential to the successful operation of school district.

Recommendation 8

The board is committed to the continuance of a policy of extensive com involvement. Board advisory committees are actively supported by the and participation of citizens at board meetings is encouraged and inpu scheduled on each board agenda. Extensive efforts are made to communi with the community through the media, parent groups, other governmenta agencies, employee associations, student associations and citizens at

Polls of citizen attitude and sentiment toward such issues as paying f transportation services, closed campus, additional fundamental schools other current issues are conducted periodically.

A narrated filmstrip that will be used with area service groups and ef tively tells the story of the San Juan District is currently being pre and will be widely disseminated.

CATEGORICAL PROGRAM STRUCTURE

Categorical programs can be described as mechanisms to provide funds for education beyond those apportioned for general education aid. Individual programs are characterized by eligibility criteria which identify certain classes of students as potential recipients of services in addition to those normally provided by the school district. Among State-funded categorical programs included in this study, the major ones are described below. Funding levels and numbers of program participants are presented in Table 1. (More detailed descriptions of these and other State and Federal categorical programs are contained in Appendix A.)

Economic Impact Aid (EIA)--provides for remediation services for educationally disadvantaged youth (State Compensatory Education (EIA-SCE)) and for English and native language instruction to students with limited English proficiency (EIA-LEP) in grades K-12.

School Improvement Program--makes funds available for the improvement of the K-12 instructional program based upon a plan developed by school-site administrators, teachers, and parents.

State Preschool Program--offers educational programs for low-income children aged 3.9 to 4.9 years.

Miller-Unruh--provides reading specialist teachers to schools with students having difficulty with reading. Services may be provided to low-achieving students in grades K-3 or 4-6.

Special Education--offers instructional and support services to children with exceptional needs in grades K-12. Federal funds to districts are also allocated for special education.

The following Federal categorical aid programs are mentioned in this report:

Elementary and Secondary Education Act (ESEA), Title I (Basic)--provides funds for supplemental educational services to some disadvantaged and low-achieving students in grades K-12. Services are intended to be directed primarily to the basic skills areas of reading, mathematics and language. However, support services such as those provided by nurses, academic counselors, deans, psychologists and community workers may be included as well.

Source: State Department of Finance's A Study of California's Categorical Education Programs for Kindergarten through Grade 12 (April 1981), pages 9-23.

TABLE 1

SERVICE LEVELS FOR MAJOR STATE AND FEDERAL CATEGORICAL PROGRAMS 1979-80

	Local Assistance (in millions)	State Administration (in millions)	Students Served
School Improvement	$ 135.3	$ 4.2a/	1,213,521
State Preschool	25.8	a/	19,300
Economic Impact Aid	141.5b/	a/	828,000c/
ESEA, Title 1	277.2	2.6	c/
Miller-Unruh	14.0	d/	N/A
Special Education	544.5	4.5	350,535
Vocational Education	54.8	3.4	807,068
Migrant Education	42.3	1.6	103,000
ESEA, Title VII	27.8e/	1.0	88,615e/

a/Includes administrative costs for School Improvement, State Preschool, and Economic Impact Aid.

b/Approximately $20 million of EIA funds is identified for LEP students. Two-hundred-thousand LEP students are eligible to receive services provided by compensatory education funds. An additional 94,000 LEP students receive EIA-LEP funds only.

c/Three-hundred-eleven thousand students are funded through Title I, 87,000 through EIA-SCE, and 430,000 through a combination of Title I and EIA-SCE.

d/Administration for the Miller-Unruh Program is contained in the State's administration of Consolidated Application programs. Eleven-hundred reading specialist positions were funded through this program.

e/State Department of Education, Office of Bilingual-Bicultural Education.

SOURCE: 1981-82 Governor's Budget, p. E1-E62; Legislative Analyst, Analysis of the 1981-82 Budget Bill, p. 1153.

ESEA, Title 1 (Migrant)--offers supplemental instructional services to children of migrant workers. Health and social services also may be provided.

ESEA, Title VII--provides for grants to districts and to schools to develop and improve bilingual education programs.

Vocational Education--provides funds for developing, improving and maintaining vocational education courses. Portions of funds are allocated for supplemental services to low-achieving and to handicapped students enrolled in such classes.

In addition, a variety of smaller categorical programs are supported through State funds, including Staff Development, Native American Indian Education, Gifted and Talented Education, and Demonstration Programs in Reading and Math. Federal grants to school districts for innovative educational programs (ESEA, Title IV-C) and for basic skills improvement (ESEA, Title II) as well as entitlements for textbooks and instructional materials (ESEA, Title IV-B) are additional sources of categorical funding.

Program Funds

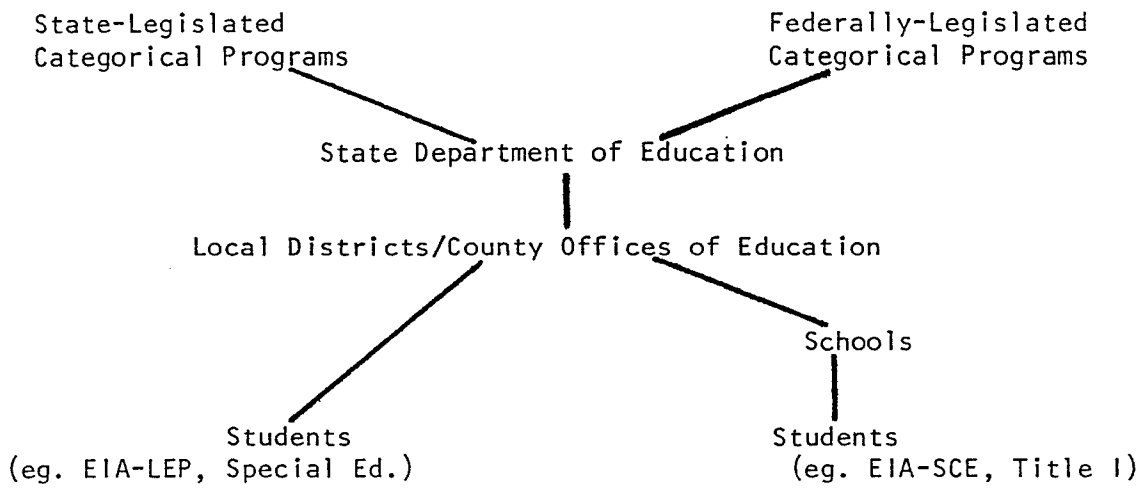
Funds for the various categorical programs reach the student level through three basic models. The majority of the funds--e.g., EIA, Special Education, Title I and SIP--flow from the State or Federal Government to school districts, county offices of education and, in some cases, regional offices. These agencies then allocate the money to schools or provide direct services to students. Some Federal funds--e.g., Title VII and Emergency School Assistance Aid (ESAA), flow directly to the local agencies which allocate the funds to schools. In addition to these common models, some school districts set aside a portion of the districts' general fund apportionment to establish a special compensatory education program. (These models are shown in Illustration 1.) While the illustrations may be overly simplistic, they show the levels of government which are often involved in the delivery of services to students through the categorical programs. The models may also indicate why coordination of program services is sometimes difficult.

Categorical programs are intended to layer additional services upon the base instructional program. Beyond certain minimum requirements that a classroom teacher and basic texts must be provided, base programs may vary across districts due to differences in revenue limits, personnel costs and teacher-student ratios. Thus, one district may be able to provide a full-time nurse at each elementary school; in another district a nursing position may be split among two or three schools. The result is that the additional services supplied through categorical funds are layered upon instructional programs which vary somewhat in kinds and amounts of services rather than being layered upon a uniform level of services provided in the general educational program.

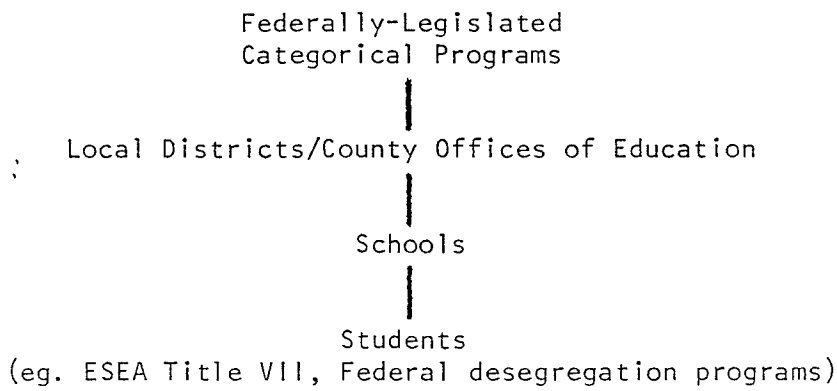
ILLUSTRATION 1

FLOW OF CATEGORICAL DOLLARS

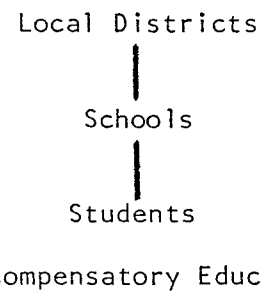
Model I.



Model II.



Model III.



Program Characteristics

Despite the variety of individual programs, certain characteristics are common to most categorical programs. First, districts must be able to demonstrate that levels of district-provided services to schools receiving categorical funds and schools not receiving categorical funds are equal. The comparability provision contained in Title I regulations requires that teacher to student ratios and per pupil expenditures by the district be equivalent for the two groups of schools. Additionally, services or materials purchased with categorical funds at a school site must supplement, not supplant, those provided by the base educational program. Funds cannot be used to reduce the normal local effort--e.g., to pay the salaries of classroom teachers or to buy basic texts. The excess cost services--such as reading instruction in a Title I Lab, remedial materials, or the assistance of a classroom aide--must be in addition to the instruction children regularly receive from their classroom teacher.

In general, the major goal of most categorical programs is to improve students' performance in the basic skills of reading, language, and mathematics. Methods used to achieve this goal may vary according to the group served by a particular categorical program and the type of remediation services developed at an individual school site.

Locally established councils consisting of site administrators, teachers, parents and community members are a requirement of most categorical programs. Members of these councils are expected to participate in the development and operation of individual programs. In Title I advisory councils established at the school and district levels, a majority of the members must be parents of students served by Title I programs. Councils have responsibility to provide advice on the planning, implementation and evaluation of the Title I Program. School site councils, required by the School Improvement Program, have decision-making responsibilities. Parents, teachers and administrators are to develop the school plan, review the implementation of the plan and the effectiveness of the program, and establish a budget based on School Improvement funds. Bilingual advisory committees or councils provide advice on developing a plan for bilingual education and assist with the school language census and needs assessment. Additionally, advisory councils must be established at the school site and the district level for such programs as Special Education, Preschool, and Migrant Education. All of these councils require regular meetings to insure oversight of program development, implementation and evaluation.

Program Eligibility

Criteria for service eligibility differ among the programs. In some categoricals, such as Migrant Education and EIA-LEP, eligibility is based upon the individual--e.g., if a child is migrant or is limited-English proficient, then the student is eligible for service from these programs. In Special Education or in Gifted and Talented Programs, another set of criteria--diagnostic tests and professional judgement--is used to select participants.

In Title I and SCE, however, the establishment of a program is based upon population factors. Funds are allocated to districts based on poverty, pupil transiency and bilingual-bicultural indices. Eligibility within a district is then based upon school populations of economically disadvantaged and low-achieving students. Districts have several options in determining eligible schools. They can select either receipt of Aid to Families with Dependent Children (AFDC) funds or of free school lunches as measures of economic disadvantage. Eligibility for AFDC is evaluated by the county welfare office; eligibility for free lunch is based on self-declaration of low income. Districts can also select whether to use numbers or percentages of low-income students in ranking schools on the low-income measure. Once a school has been selected for funds based on its low-income population, objective criteria such as scores on standardized achievement tests are applied to select individual program participants within those schools. According to Title I and SCE regulations, students scoring at or below the 50th percentile in standardized tests of achievement of reading or math are eligible for service. However, a district may choose to limit the number of students by selecting a lower cut-off score, such as the 40th or the 35th percentile.

Service Delivery

Over a period of time, categorical programs have been created by the State and Federal governments to address the needs of specific populations. However, since the eligibility criteria for different programs are based on similar characteristics, and since few, if any, exclusionary provisions prevent participation in more than one categorical program, a number of students are eligible to participate in multiple programs (see Illustration 2). And, since the broad goal of all the categorical programs is to improve basic skills, the types of services provided may be similar. Thus, by law a low-achieving migrant child in a Title I school with a Miller-Unruh teacher could receive assistance in reading from a migrant tutor, a Title I Classroom Aide, a Title I sponsored reading lab, and the Miller-Unruh teacher.

The per pupil cost for each categorical program differs widely. In some programs, such as School Improvement and Gifted and Talented, per pupil costs are specified in legislation. For Title I and SCE, the district can exercise some control over the amount allocated per pupil by determining how many of the eligible schools will be served. The district can decide to maximize dollars per pupil in each school or to maximize the number of schools and students served. In Special Education, however, service costs are not specifically limited. Rather, schools are obligated to spend the amount necessary to provide services to meet the student's special needs.

Program Planning and Evaluation

Planning for the use of categorical funds can occur at both the district and at the school level. The major planning effort at the district level is the annual Consolidated Application, which includes fiscal information about School Improvement, Miller-Unruh, Economic Impact Aid, ESEA Titles I, IV-B, and IV-C, Staff Development, State Preschool, and Indian

ILLUSTRATION 2

STUDENT PARTICIPATION BY PROGRAM

Programs	Characteristics of Students Participating in Categorical Programs												
	0-3 years	3-5 years	Grades K-3	Grades 4-6	Grades 7-9	Grades 10-12	Low Income	Migrant	Low-achieving: reading	Low-achieving: math	Exceptional needs	Limited English proficient	Enrolled in vocational classes
School Improvement			X	X	X	X	/	/	/	/	/	/	
State Preschool		X					X	/			/	/	
EIA		/	X	X	X	X	/	/	X	X	/	/	
ESEA, Title I		/	X	X	X	X	/	/	X	X	/	/	
Miller-Unruh			X	X			/	/	X		/	/	
Special Ed.	X	X	X	X	X	X	/	/	/	/	X	/	
Migrant Ed.		/	X	X	X	X	/	X	/	/	/	/	
ESEA, Title VII		X	X	X	X	X	/	/	/	/	/	X	
Vocational Ed.						X	/	/	/	/	/	/	X

X - Characteristics students must have for eligibility for a program.

/ - Characteristics students may have for participation in a program.

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Education. In this document, districts identify items such as the income measure selected to rank schools and the type of test and cut off score used to select participants in Title I and SCE projects. Schools receiving Title I and School Improvement funds are identified, as are the number of Title I/SCE participants and of LEP students in each school and the per pupil levels of funding for those programs.

Local schools targeted to receive funds in a district Consolidated Application prepare a School Plan for Consolidated Programs. One portion of the plan consists of budgets for each funding source at the school site and for centralized services, data on the numbers of School Improvement, Title I/SCE, and of LEP students, and information about the composition of different advisory councils. This part is submitted annually to the district and to the State Department of Education for review and approval.

A second part of the School Plan is an instructional plan required every three years for sites receiving School Improvement or Title I/SCE funds. Parent, as well as staff, participation in plan development is stressed. For schools with School Improvement funds, parents, as members of the school site council, are to work with other council members and school staff to develop the actual plan. Parent members of Title I/SCE school councils act in an advisory capacity to those preparing the plan.

The first step in preparing a plan is to develop a needs assessment in the areas of basic skills, multicultural education, and staff development. In addition to the general needs of the student body, the assessment must reflect the needs of Title I/SCE students, LEP pupils, and students with exceptional needs and abilities. Although the input of parents as well as of teachers and staff is required, there is no specification as to how the assessment is to be conducted or the responses from different groups weighted.

Based upon the needs assessment, performance objectives are set in the areas of reading, language, writing, mathematics, and multicultural education. For Title I/SCE, performance objectives must be included for each area in which excess cost services are provided; however, the school has discretion in defining the type and scope of the objectives. For LEP students enrolled in bilingual classrooms, performance objectives are required in the areas of English-as-a-second-language instruction, reading and writing as well as primary language development, reading and writing. For students on Bilingual Individual Learning Plans, a statement of how needs were assessed, how the plans were structured, and how student progress will be evaluated must be included.

Program descriptions of both the base program and excess cost services are another element of the school plan. According to the School Program Development Manual, "the description of the Title I/SCE excess cost services clearly identifies the services, describes the type and amount of services, describes the integration of the excess cost services with the regular or base classroom program, and links the excess cost services to the Title I/SCE program budget entries."1/

1/ California State Department of Education, School Program Development Manual, (Sacramento: California State Department of Education, 1980), p. 50.

The completed plan is reviewed and approved at the school site. Reviews of school plans and budgetary information are also conducted by local districts and by the State Department of Education to determine compliance with regulations affecting each of the consolidated categorical programs. These plans form the basis for on-site reviews conducted every three years through the State Department of Education. Conducted by Department staff, consultants and personnel from other districts, the reviews evaluate the quality of the instructional program--e.g., reading, language and mathematics programs--as well as the quality of excess cost services provided to Title I/SCE and to LEP students. In addition, compliance to State and Federal regulations regarding certain categorical programs is assessed. Program quality and compliance ratings are presented to the school staff and to the Department of Education. No follow-up action is required for quality ratings, but within 45 days following the review, schools are to respond to the State about the noncompliance items.

Other plans may be required by State or Federal law depending upon the resources provided to the district and to the school. For Special Education, a master plan is required for the local educational agency and individual education programs must be written for each child receiving Special Education services at a school site. Plans are also required for such programs as Migrant Education and Gifted and Talented Education.

While status as a child of a migrant worker or low-achievement in standardized tests may result in eligibility for services provided by one or a number of programs, eligibility does not automatically result in delivery of service. Because of current Federal and State law, some program eligibility criteria are based, in part, on proxy indicators of need. For example, to receive services from Title I or SCE, children must not only be low-achieving, but also be students in a school with a sufficient number of low-income and low-achieving pupils to receive funds as determined by the district. Even if some sort of excess cost service is provided, the type and quality provided to each child may not be uniform within the school or within the district. Descriptions of types of service delivery, the variation in delivery, and the reasons for such variation are detailed in the following chapter.