

## GOVERNOR'S 1998-99 BUDGET PROPOSAL FOR: K-12 EDUCATION

### DEPARTMENT OF EDUCATION

The Governor's 1998-99 budget for Kindergarten through grade 12 (K-12) education proposes approximately \$39.6 billion for schools in combined local, state, and federal funds. It is estimated that California's public school system will serve approximately 5.7 million students in 1998-99, a 2.3 percent increase over the current year. The budget estimates that approximately 42.5 cents of every General Fund dollar will be spent on K-12 education, an increase of three cents over the current year. Combined with funding for higher education, the State will spend approximately 55 cents of every General Fund dollar on education.

The Department of Education's budget includes \$35.5 billion of the total funding for K-12 education, a 5.2 percent increase over the current year. The state General Fund contribution increases to \$21.9 billion or 6 percent over the current year (Table 1). This level of funding will support the estimated 5.7 million students. Local property tax revenues are estimated to increase by \$363 million, or 4.1 percent. According to the Governor's budget, the Proposition 98 funding level will provide \$5,636 per K-12 pupil in the budget year.

The administration has continually provided minimal funding for K-12 education. In 1984, California ranked 24th in per pupil spending among the states; by 1994, California had dropped to 42nd. To meet the Proposition 98 funding guarantee, the Governor's budget proposes spending \$5,636 per pupil in 1998-99; this still falls short of the national average. The proposed increase in per pupil spending is estimated to bring California's ranking to 35th of the fifty states. The per-pupil spending would improve by a mere \$222 over the current year.

Table 1

<b>PROPOSED TOTAL K-12 EXPENDITURES</b>				
<b>DEPARTMENT OF EDUCATION</b>				
<b>(Dollars in millions)</b>				
	<b>1997-98</b>	<b>1998-99</b>	<b>Amount Change</b>	<b>Percent Change</b>
<b>Local Assistance</b>	<b>\$33,541</b>	<b>\$35,306</b>	<b>\$1,765</b>	<b>5.3</b>
General Fund	20,633	21,862	1,229	6.0
Local Revenues	8,936	9,299	363	4.1
Federal Funds	3,218	3,304	86	2.7
Other Funds (i.e., State Lottery Fund, Cigarette and Tobacco Products Surtax Fund, Special Deposit Funds)	754	841	87	11.5
<b>State Operations</b>	<b>218</b>	<b>209</b>	<b>-9</b>	<b>-4.3</b>
General Fund	85	88	3	3.5
Federal Fund	91	88	-3	3.4
Other Funds	42	33	-9	27.3
<b>Total</b>	<b>\$33,759</b>	<b>\$35,515</b>	<b>\$1,756</b>	<b>5.2</b>

## MAJOR PROPOSALS

### *Funds Allocated on a One-Time Basis:*

**Past Year:** The Proposition 98 revenues for the 1996-97 fiscal year have declined from the 1997 estimates by \$29 million. These funds were to be allocated 50 percent for school district equalization and 50 percent for deficit reduction. Therefore, the amount to be allocated to districts will be reduced accordingly.

**Current Year:** The budget provides \$295.1 million in one-time funds to satisfy the Proposition 98 minimum funding guarantee for 1997-98. The current-year guarantee is above the level anticipated in the 1997 Budget Act because of higher General Fund revenue collections, which drive the guarantee. In addition, the budget includes \$46.2 million from reappropriations and the Proposition 98 Reversion account to be used for one-time expenditures. These funds are proposed to be distributed as follows:

- \$180 million for School Site Block Grants to be allocated on a per-pupil basis with each site receiving a minimum grant of \$10,000;
- \$60 million for the Digital High School Program;
- \$40 million for math staff development;
- \$12.5 million for Adult Education and Regional Occupational Centers/Programs to serve CalWORKS recipients;
- \$11 million to provide for the development of a statewide matrix test for grades 4, 5, 8 and 12;
- \$10 million for the School/Community Policing Program to provide grants to local school districts and county offices of education to adopt a community policing approach. The Community Policing Program was established by AB 367 (Havice), Chapter 935, Statutes of 1997;
- \$6 million to fund deficiencies incurred in the Multi-Track Year-Round Education Program;
- \$5.5 million for the Standard account Code Structure;
- \$4.2 million for the Oxnard Extended Year Pilot Program;
- \$4.1 million for the settlement of a prior year voluntary desegregation claim filed by the Long Beach Unified School District;
- \$3 million to double the number of Single-Gender Academies Program from 12 to 24. Currently six districts operate 12 academies, with each district offering one academy for boys and one for girls;
- \$3 million to be set-aside for low-performing schools;
- \$1 million for the Teacher National Board Certification Program; and
- \$1 million for a Salary Schedule Pilot Program.

**Budget Year:** The Governor's proposed budget includes the following major proposals:

- \$1.55 billion to maintain funding for the K-3 Class Size Reduction Program in 1998-99 and in future years. This amount includes \$57.6 million in growth and COLA funding;

- An \$8 billion state General Obligation Bond to be placed before voters over the next four election cycles. Each election cycle is proposed to contain a bond measure totaling \$2 billion. The first \$2 billion would provide \$850 million for new construction, \$450 million for school renovation, up to \$500 million for class-size reduction, and \$200 million for hardship cases. The measure would require a 50 percent match of local contributions; and
- A cost-of-living adjustment (COLA) of only 2.22 percent to be distributed as follows:
  - \$470.6 million directly to school districts and \$12.4 million for county offices of education (apportionments);
  - \$4.0 million for summer school;
  - \$57.8 million for Special Education;
  - \$14.6 million for child development;
  - \$33.6 million for Class Size Reduction for grades K through 3; and,
  - \$76.8 million for categorical Programs.

Current statute would require a COLA of 4.02 percent, thus to effect the 2.2 percent proposed by the Administration would require a significant statutory change. The proposal updates the statutory cost-of-living-adjustment (COLA) calculation in the omnibus education trailer bill for school district apportionments by calculating the COLA using the most recent economic data available. The K-12 apportionment COLA is the only escalation factor in the budget, which uses unrevised, year-old economic data in its calculation. This results in a COLA for school districts, which is significantly different from, and not comparable to, all other COLAs provided in the budget.

Growth in average daily attendance of 2.06 percent is distributed as follows:

- \$405.7 million directly to school districts and for county offices of education (apportionments);
- \$11.8 million for summer school;
- \$49.3 million for Special Education;
- \$24.0 million for Class Size Reduction for grades K through 3; and,
- \$73.7 million for categorical programs.

The budget additionally provides:

- \$400 million to lengthen the school year to at least 180 days. The proposal appropriates \$350 million to buy out seven staff development days. This is in addition to the \$50 million adopted in last year's budget that enabled schools to extend the school year by one extra day;
- \$136 million for the second year of funding for the Digital High Schools Education Technology Incentive Grant Program. This amount is an increase of \$86 million over the current year. Of the \$86 million approximately \$60 million is from one-time monies;

- \$135 million for the K-12 Deferred Maintenance program and a proposal to establish a permanent funding source for this program;
- \$128 million for expansion of childcare services for CalWORKS recipients, of which \$84.5 million is from the Proposition 98 General Fund and \$43 million comes from federal funds;
- \$100 million in anticipated increased lottery fund revenue is earmarked for the purchase of textbooks and other instructional materials. Although questions have arisen about the legality of this proposal;
- \$68.6 million in new federal funds for special education;
- \$53 million to eliminate the deficit factor for various K-12 and county office programs;
- \$52 million to encourage 15,000 students enrolled in low performing schools to attend private schools using public funds;
- \$45.9 million for Special Education in additional Proposition 98 General Fund. This amount includes \$7.1 million for special program funding adjustments in accordance with AB 602 (Davis) Chapter 854, Statutes of 1997, \$49.3 million for growth, and a \$10.6 million offset to reflect an increase in property tax revenues provided to the local education agencies;
- \$31 million from the Proposition 98 General Fund to expand the state preschool program. Of this amount \$25 million would be used to serve 19,000 additional four year-old children and \$6 million is proposed to develop and distribute pre-kindergarten learning development guidelines that focus on developing basic beginning skills for parents and child care providers;
- A \$25.9 million increase in federal funding for the Technology Literacy Challenge Grant Program;
- \$20 million for the High-Risk Youth Education Program. This is an increase of \$16.4 million over the amount provided last year as part of a program established by SB 1095 (Lockyer) Chapter 340, Statutes of 1997. This program targets the small proportion of youth, aged 15 years or younger, who commit their first serious crime at a very early age and places them in structured programs designed to alter their behaviors;
- \$10 million for the Volunteer Mentor Program which seeks to match at-risk children and youth with caring adult role models for one-to-one academic mentoring to provide positive guidance, improved school behavior, and academic progress;

- \$10 million to expand the availability of childcare services for infants and toddlers;
- \$10 million for mandatory summer school reading instruction for those students in grades three through six not testing at or above grade level in reading; and
- \$1 million to establish the California State Summer School for Math and Science. This program would serve students who are high achievers in math and/or science.

**PROPOSITION 98**

Proposition 98, known as “The Classroom Instructional Improvement and Accountability Act”, was passed by the voters in November, 1988. The initiative amended the State Constitution to provide for a minimum guaranteed level of funding for school and community college districts. In June 1990, the initiative was amended to allow Proposition 98 funds to be allocated to other state agencies that provided direct elementary and secondary programs for students in Kindergarten through grade 14.

Proposition 98 establishes a minimum annual funding guarantee for K-12 school districts and community colleges, based on changes in workload, General Fund revenues, and per capita personal income from one year to the next. For 1997-98, the constitutional provision requires total K-14 funding of \$21 billion, an 8.1 percent increase over the current year, or 42.5 percent of all State General Fund spending.

Table 2 displays the Proposition 98 guarantee for the current year, and for the budget year. The table shows that 1998-99 General Fund allocations toward the guarantee account for \$23.9 billion, while local revenues contribute \$10.7 billion. Of the General Fund amount, \$21.6 billion, or more than 89 percent, is allocated to K-12 education while the community colleges are budgeted \$2.1 billion. In addition, \$250 million is set aside for repayment of past school loans. Educational programs offered by the Departments of Developmental Services, Mental Health, and Youth Authority are slated to receive \$74.4 million and \$1.6 million is provided for employee compensation in the budget year.

Table 2

<b>PROPOSITION 98 ALLOCATION</b> (Dollars in millions)				
	<b>1997-98</b>	<b>1998-99</b>	<b>Amount Change</b>	<b>Percent Change</b>
<b>Proposition '98 Revenues</b>				
General Fund	\$22,421	\$23,993	\$1,572	7.0
Local Revenues	10,272	10,689	417	4.1

<b>Total Revenues</b>	\$32,693	\$34,682	\$1,989	6.1
<b>General Fund</b>				
K-12 Education	20,208	21,561	1,353	6.7
Community Colleges	1,938	2,106	168	8.7
Other Departments and employee compensation	75	76	1	1.3
Loan repayment	200	250	50	25.0
<b>Total General Fund</b>	<b>\$ 22,421</b>	<b>\$ 23,993</b>	<b>\$ 1,572</b>	<b>7.0</b>

## CLASS SIZE REDUCTION

The budget includes \$1.55 billion for the Class Size Reduction Program for Kindergarten through grade three. This is an increase of \$57.6 million, or 4.3 percent over the current year. The increase is comprised of \$24 million for growth and \$33.6 million for a cost-of-living adjustment to the base program.

### BACKGROUND

SB 1777 (O'Connell), Chapter 163, Statutes of 1996, established the Class Size Reduction Program. Initially, districts wishing to participate could implement the program in up to three grades. Priority was given to grades 1 and 2, and districts could opt to reduce classes in Kindergarten or grade 3, but not both.

Under the current program, participating districts are funded to reduce class sizes in Kindergarten through grade 3, with priority still given to grades 1 and 2, and an option of either Kindergarten or grade 3 next. Participation in the program is optional. Further, districts may participate under one of two options: in fiscal year 1998-99, districts will receive \$818 per pupil if a class is reduced to a 20:1 pupil teacher ratio for a full-day throughout the school year, and \$409 per pupil if a class is reduced to a 20:1 pupil teacher ratio for half of the day throughout the school year. In addition, under the latter the instruction provided during the half-day program must focus on instruction in reading and mathematics.

The budget amount is predicated on the assumption that all eligible districts will implement the program in Kindergarten and grades one through three, with 95 percent participating under "Option 1" and five percent participating under "Option 2".

Based on preliminary information, it appears that nearly 100 percent of 1<sup>st</sup> graders will be in reduced classes of 20 to 1. The estimated participation rate for 2<sup>nd</sup> graders is 95 percent and the estimated participation rate of Kindergartners and 3<sup>rd</sup> graders is slightly

less than 70 percent. It also appears that nearly all schools are participating under option 1 for 1<sup>st</sup> graders and 25 percent participating under option 2. Again, this information is preliminary and the Department will be providing more valid data in course of the budget process.

Districts continue to have difficulty finding enough teachers to reduce class sizes fully in Kindergarten through grade 3. The total number of teachers required to implement the program was originally estimated at 6,500 teachers per grade, but that estimate has risen to approximately 8,000 teachers per grade. According to the Commission on Teacher Credentialing, roughly 8,744 new teachers were credentialed last year. While there has been an effort to expand the market via alternative credentialing or internship programs, this still will not be sufficient to meet the need. The quality of teaching continues to be of concern as districts race to fill teaching slots by emergency credentialing in order to receive funding. While reducing class size is important, it is equally important to ensure California's schools have teachers who are equipped to provide our students with a quality education.

Finally, last year AB 751 (Escutia) Chapter 285, Statutes of 1997 was established to assist impacted schools which are unable to implement the class size reduction program because of severe space limitations. Specifically, the bill allows impacted schools to qualify for full funding under certain circumstances. The bill provides a waiver process for impacted schools to receive full funding under "Option One" if schools meet the following: 1) the school must be multi-track, year-round; 2) a minimum of 40 percent of the school district's entire enrollment must be multi-track, year-round and; and, 3) there must be at least 2000 students per acre on the school site. The bill limits waivers to a six year period.

## **SCHOOL BONDS**

The state's total infrastructure needs over the next ten years are estimated at \$80.9 billion. The K-12 portion is approximately \$22 billion or 27.5 percent of this total infrastructure need. Using different variables, the Department of Education estimates the need is approximately \$42 billion for school construction and repairs over the next ten years. The need is based on costs related to growth in student population and facilities needs related to class size reduction.

Last year, the Legislature convened a joint school facilities conference committee to address schools' facilities needs. The committee developed a package of four bills to begin to address these needs. The package included the following:

- AB 252 (Villaraigosa) provides fee reform by: 1) repealing Mira, Hart, & Murrieta; 2) increasing statutory fees from \$1.84 to \$3.00 over time (by adjusting for inflation); and, 3) allows for higher fees up to 50 percent mitigation if districts have complied with specific requirements;



- AB 755 (Mazzoni) authorizes a \$8.2 billion School Facility Bond to be placed on the June 1998 ballot. The bond, if approved, would provide \$4 billion in 1998 and \$4.2 billion in 2000. Of the \$8.2 billion, \$2.2 billion would be for higher education;
- SB 250 (Greene) provides for program reform by: 1) changing the criteria for eligibility for new construction grants and disconnecting multi-track, year-round from the eligibility requirements; 2) eliminating state liens on school property; 3) creates a 50 percent state and 50 percent local program; and, 4) allowing for more than 50 percent if a local tax effort does not yield sufficient funds; and
- SCA 12 (O'Connell) which places on the ballot an initiative to lower the vote requirement for local school bonds from the current two-thirds to a simple majority. The bill also includes local accountability.

The Governor has also proposed a school bond package, which is similar in part to the Legislature's package. The major differences between the two proposals include:

- The Governor's package provides \$8.0 million for K-12, with a separate \$1 billion bond over 2 years for higher education. The Legislature's provides \$8.2 (which includes \$2.2 million for higher education);
- The Governor proposes eight years of authority with ballot votes over four election cycles. The Legislature proposes four years of authority with one ballot vote;
- The Governor increases developer fees to \$2.07 by the year 2000. The Legislature increases fees to \$3.00 by the year 2000; and
- The Governor reduces the threshold below the two-thirds currently required but higher than a simple majority (the actual percentage has not yet been divulged). The Legislature has proposed a simple majority for passage of a local school bond. There are several differences in the area of program reform, which will be addressed once the Administration submits trailer bill language for this proposal.

The Governor's proposal calls for an \$8 billion state General Obligation Bond to be placed before voters over the next four election cycles. Each election cycle will contain a bond measure totaling \$2 billion. The first \$2 billion would provide \$850 million for new construction, \$450 million for school renovation, up to \$500 million for class-size reduction, and \$200 million for hardship cases. The measure would require a 50 percent match of local contributions.

The Governor's proposal also includes three major reforms: 1) to re-establish the school facilities program as a simple formula-based matching grant program for districts; 2) to establish an equitable distribution of funding responsibility between developers and the state; and, 3) to reduce the threshold for the passage of local school bonds.

- The first major reform to re-establish the school facilities program includes: 1) making changes to the criteria for eligibility for new construction grants; 2) establishing a New Construction Grant Program; 3) making Changes to the Facilities Renovation Program; 4) allowing the State Allocation Board to establish further criteria for granting hardship cases and the ability to approve emergency grants in specific situations; and 5) phasing in an increase from the two percent maintenance requirement for districts to three percent .
- The second major reform proposes to cap developer fees at \$1.84 per square foot, with adjustments for inflation. Under specific circumstances, fees above the cap would be allowed up to an amount not to exceed the amount that new per-pupil funding would generate. This issue of overturning the Mira, Hart, & Murrieta court decisions continues to be controversial.
- The third major reform reduces the vote threshold for passage of local school bonds, through Constitutional Amendment approved by voters. Historically, Republican's have been opposed to lowering the threshold from two-thirds proposed by the Governor.

## INSTRUCTIONAL TIME

**Longer School Year:** The Governor's budget includes \$400 million to lengthen the school year to at least 180 days. The proposal appropriates \$350 million to buy out seven more staff development days. This is in addition to the \$50 million adopted in last year's budget that enabled schools to extend the school year by one extra day.

In 1983, SB 813 (Hughes and Hart), Chapter 498, Statutes of 1983, the Hughes Hart Educational Reform Act, established, among other things, incentives to increase the instructional day and year. In addition, SB 813 mandated a 180-day school year. However, school districts were authorized to offer up to eight days of staff development within the 180 minimum school year. Districts providing staff development within the 180 days could still receive funding for students like any other regular day of instruction even though the students were not receiving instruction. Based on 1995-96 data, the statewide average days of instruction students received were 175.5.

Last year, AB 1579 (Strom-Martin), Chapter 296, Statutes of 1997, created the Staff Development Buy-Out Program, which will pay school districts \$220 per day for each employee who participates in core curriculum area staff development programs that are offered on days that are in addition to the regular school year. This program provides an incentive to schools to offer a full 180 days of instruction by having staff "in-service" days outside of the regular school year, such as during scheduled breaks or recesses.

The Governor's proposal provides funding to fully implement AB 1597. However, the Governor's proposal would require that, school districts permanently eliminate all staff development days within the 180-day instructional year, and will be funded for up to

eight days of staff development attended by teachers beyond the 180-day instructional year.

**Passing Time:** Passing time is the time provided for students to go from one class to another. Passing time is approximately 6 minutes in duration and totals 30 minutes per day. Currently school districts count passing time as part of annual required instructional minutes. The Governor proposes to repeal the current practice of counting five passing periods, in a traditional six period student day, as part of annual required instructional minutes.

In one year, passing time is equivalent to 5,400 minutes or 15 days of instruction. This proposal is currently silent as to whether school districts will be given alternatives for meeting the annual required minutes.

For example, would schools be asked to choose between adding an additional period to each school day, or adding 15 days to the school year, or increasing the minutes offered per period? In any case, this issue will be hotly debated because of its implications for collective bargaining and on the informal time teachers spend with students during passing times.

**Summer School:** The Governor's budget includes \$10 million for mandatory summer school reading instruction for those students in grades 3 through 6 not testing at or above grade level in reading. Districts would be allowed to use these funds to offer after school and Saturday classes.

Under current law, districts receive remedial summer school funding for pupils in grades 7 through 12 who do not meet proficiency standards established by each district. Districts receive approximately \$2.35 per-pupil per hour not to exceed 120 hours. Since this is a mandated program, there is no cap on the number of students that can attend summer school as long as they score below the districts' proficiency standards. The budget for 1998-98 contains \$68.4 million for this program.

In addition, districts may apply for grant funding to provide summer school in core subject areas for pupils in grades 1 through 12. Core subject areas include mathematics, science, English as a second language, or other core academic areas designated by the Superintendent of Public Instruction. This program is voluntary and limits service to seven percent of the districts total enrollment and 120 hours of instruction for each pupil. However, if there are any remaining funds after all participating districts have been funded up to their seven percent cap, districts exceeding the seven percent cap may receive funding for up to an additional three percent of their total enrollment. The budget for 1998-98 contains \$122.5 million for this program.

The \$10 million proposed for the mandatory summer school reading instruction for those students in grades 3 through 6 is in addition to the funds provided for the existing summer school programs.

**TESTING**

Last year, SB 376 (Alpert), Chapter 828, Statutes of 1997, created the Standardized Testing and Reporting (STAR) Program. This measure was marginally approved by the Senate and Assembly and mandates a single off-the-shelf test in "English" only for all pupils in grades 2 through 11, and mandates that Limited English Proficient (LEP) pupils who have been enrolled in a California school district less than 12 months be tested in their primary language, if a test is available. Further, the legislation allows districts to test LEP pupils in their primary language beyond the 12 month period, if a test is available. It is also expected that this test will be adjusted to state standards when they become available. The final testing proposal adopted provided individual test scores for all students and required the reporting of scores by district, school, and grade level.

The Governor's budget includes \$71.9 for various testing programs. Specifically, the budget provides:

- \$35.4 million for the Standardized Testing and Reporting (STAR) Program;
- \$21.2 million for matrix testing. Which includes \$1 million for continued test development and \$20.2 million for test administration of a statewide matrix test to assess whether schools are meeting the grade-level standards in English language arts, mathematics, history/social science, and science. This test is scheduled to be administered in the Spring of 1999;
- \$10.9 million for the Golden State Seal Merit Diploma, which is an augmentation of \$1.8 million over the current year; and,
- \$4.4 million for assessment review, reporting, and Career Technical Assistance.

**INSTRUCTIONAL MATERIALS**

The Instructional Materials Fund was established for the purpose of funding the acquisition of instructional materials as required by the California State Constitution. AB 3100 (Vasconcellos), Chapter 1010, Statutes of 1976, established and authorized the use of these funds for the purchase of instructional materials for grades kindergarten through 8. SB 813 (Hughes and Hart), Chapter 498 Statutes of 1983 authorized these funds to be used for the purchase of instructional materials grades 9 through 12.

Funding for instructional materials is budgeted within the Mega-Item and this year includes \$172.1 million (\$133.1 million for grades K through 8 and the remaining \$39 million for grades 9 through 12). The Governor's budget only proposes to increase funding for this purpose by growth and COLA levels as per statutory requirements.

Additionally, in anticipation of \$100 million in increased lottery fund revenue, the budget earmarks this increase in funds for the purchase of textbooks and other instructional materials. However, as mentioned earlier questions have arisen about the legality of

this proposal. Therefore, other than growth and COLA, the budget does not address an unmet need that could require hundreds of millions of dollars.

In January, SB 1412 (Schiff) was introduced to address the lack of insufficient quantities of up-to-date instructional materials facing the state's schools. Specifically, the bill would require school districts to include in the school accountability report card, the number of pupils in each subject at each grade level for whom up-to-date textbooks or other up-to-date instructional materials are not available. The bill would also require school districts that have insufficient quantities of materials to develop a plan for meeting this goal within 2 years and the districts must notify the public of this goal. Finally, the bill would require an annual audit by the State Auditor of the Instructional Materials Fund, to monitor the contents of school accountability report cards as they pertain to the funds, and to report the findings to the Legislature, as specified.

While SB 1412 currently does not contain an appropriation, it is the intent of the author and other co-authors (this bill has bipartisan support) of this measure that any new funds which are identified as necessary to meet the Proposition 98 Guarantee for 1998-99, shall be earmarked specifically for instructional materials. The actual amount of new funds that could be appropriated for this purpose would be identified at the time of the May Revise.

## LIBRARIES

**SCHOOL LIBRARIES:** In the last two decades, California's public school libraries have fallen into a state of near total disrepair. Most quality library programs contain at least 20 books per student. California averages only three books per student, and the average publication date for those selections is more than 20 years old.

California's schools spend an average of \$3.94 per student for all library expenditures while the national average is \$12.07 per student.

There have been a number of studies demonstrating the correlation between having quality libraries and student achievement. In addition, approximately 21 percent of California's student population are classified as limited English proficient. Less than four percent of the books in California's school libraries are in the children's native language.

In 1994, legislation was enacted which created the California Public School Library Protection Fund. This Statute placed a voluntary tax check-off on the California State Tax Form to provide a revenue source for schools to purchase library materials. In the three years since the program has been in place, the average annual revenue received per year is \$300,000. During that same time, more than 4,000 grant applications have been received from individual school sites. However, there has never been enough

money in the Fund to award grants to all worthy applicants. Of the 4000 grant applications received in 1996, there was only enough revenue to award 218 grants.

In 1996, the budget conferees provided a \$12 million augmentation for the Public School Library Protection Fund for fiscal year 1996-97. This augmentation only covers the awarding of approximately 2,400 grants. The grants are awarded through a competitive process and provide one-time grants of \$5,000 per school site. The grants are expected to be awarded in late April or early May. While the augmentation was a step in the right direction, it only goes part way towards satisfying the need for improving library collection.

In 1997, the Legislature approved a \$10 million increase for the Public School Library Protection Fund. However, this was subsequently reduced to \$3 million as a result of the payment of the PERS settlement.

The Governor does not propose an increase to the base level of \$18.9 million, which is current funding level for the Public School Library Protection Fund. This level falls short of the \$52.9 million, which is necessary to fully fund this program.

Finally, AB 1587 (Budget Committee) Chapter 889, Statutes of 1997 and AB 1571 (Ducheny) Chapter 928, Statutes of 1997 provided funding to school districts in an equal amount per pupil enrollment as specified to be used to purchase library materials. Specifically, AB 1587 provided \$2.3 million to purchase library materials for grades 7 through 12, and AB 1571 provided \$3.4 million for library materials for grades 4 through 6.

## **SPECIAL EDUCATION**

Under federal and state law, individuals with disabilities are entitled to free, appropriate public education. Students requiring Special Education are served either through local education agencies or by the State Special Schools operated by the Department of Education. There are three centers for diagnostic services; two residential schools for the deaf, and one residential school for the blind. The special schools provide highly specialized services, including educational assessments and individual educational recommendations, and a comprehensive residential and nonresidential educational program.

Last year, AB 602 (Davis and Poochigian), Chapter 854, Statutes of 1997, provided a formula for the allocation of the \$76.7 million in equalization funding for special education. The bill provides funding to local education agencies (LEAs) that are below the statewide average in funding rates for special education services and bring them up to the statewide average. It also converted the current resources based funding system into a population-based system and established a new method of funding special education that allows flexibility, simplifies funding, ensures equity among Special Education Local Planning Areas (SELPA's) and eliminates inappropriate fiscal incentives. The bill recognizes the likelihood of the disproportionate distribution of pupils

who require high-cost services and requires that a study be conducted to determine the actual distribution of high-cost need. For this reason, the legislation set-aside \$15 million to assist districts with disproportionately high-costs. Finally, the bill contains language that mirrors the accountability language contained in the federal Individuals with Disabilities Education Act (IDEA).

The Governor's budget reflects the implementation of this new special education local funding formula as prescribed by AB 602 (Davis). A total of \$45.9 million in additional Proposition 98 General Fund is provided, including \$7.1 million for special program funding adjustments per the new law, \$49.3 million for growth, and a \$10.6 million offset to reflect an increase in property tax revenues provided to the local education agencies.

In addition, \$68.6 million in new federal funds is provided for special education. Of this amount, \$6.1 million will be used to expand "WorkAbility I", a program which assists disabled high school students transition to college or employment. In addition, there is \$50.8 million for special education equalization. These funds will increase funding for all districts currently receiving less than below the statewide average funding level of \$439 per pupil.

#### **TEACHER TRAINING AND CREDENTIALING**

**Department of Education:** The Governor's budget proposes to augment the Beginning Teacher Support and Assessment (BTSA) Program by \$16.1 million, a 92 percent increase over the current year. This level of funding will only serve roughly 5,367 beginning teachers, an increase of 100 percent, but still serves less than 50 percent of the total estimated beginning teachers.

The program is currently funded at a level of \$17.5 million and serves approximately 5,400 beginning teachers. Beginning teachers are those teachers with less than two years of teaching experience. It is estimated that there will be approximately 46,000 first and second year teachers. The 32,000 assumes that as many as 20,000 new teachers will be hired as a result of the Class Size Reduction Program in 1998.

The BTSA provides grants to local education agencies to establish support programs for new teachers. The purpose of the program is to provide professional success and retention of new teachers, to respond effectively to student and teacher diversity, to obtain improved information about new teacher performance, and to provide collaboration and continuity in teacher education.

The budget includes \$1 million for 1,000 grants for California public school teachers who are working on their National Board Certification. These grants will provide 50 percent of the \$2,000 cost of the National Board Certification.

The budget includes \$1 million for a pilot program that will link local salary schedule increases for teachers to the learning of specific skills that are needed in their schools. Districts currently provide salary increases to teachers who take additional courses

despite the fact that many of the courses taken have no direct correlation to improving the teacher's skills or to the improvement of student learning.

**Commission on Teacher Credentialing:**The budget for the Commission on Teacher Credentialing contains the following increases to support the teacher credentialing process:

- \$3.8 million in Proposition 98 General Fund for the Commission to continue issuing pre-intern teaching certificates, instead of emergency teaching permits, and to provide pre-intern teaching candidates the comprehensive training and support necessary to become fully credentialed teachers;
- \$1 million in Proposition 98 General Fund to expand the Alternative Credentialing Program, which enables interns to complete teacher education requirements more quickly and provides career-changers the opportunity to enter the teaching profession;
- \$1.5 million from the Teacher Credentials Fund for the design, development, and testing of a performance assessment that will be used statewide with new teachers. It will create an "in-class" performance assessment credentialing candidates;
- \$100,000 from the Teacher Credentials Fund to develop a "fast-track" teacher education program for university undergraduates. This program would allow undergraduates who have decided to become teachers the ability to take teacher preparation courses at the same time as their undergraduate courses; and,
- \$889,000 from the Teacher Credentials Fund and the Test Development and Administration Account to examine and improve the teacher credentialing process in California.

## CHILD CARE & PRE-SCHOOL PROGRAMS

Prior to welfare reform, each department received an allocation of federal funds to provide childcare services. There were a total of 18 childcare programs operated by the Department of Social Services (DSS) and the State Department of Education (SDE) which will require uniform eligibility and reporting requirements. The main distinction between child care services provided by the DSS and those services provided by the SDE is that DSS provides their services through various alternative payment methods, while the SDE's services are primarily center based, with some alternative payment methods. Child care provided by center based programs generally provides structured developmental programs.

Last year, AB 1542 (Ducheny), Chapter 270, Statutes of 1997, established a new model to address statewide child care needs. The new model provided a three-stage child care delivery system for families in the CalWORKS program and for the working poor.



The Department of Social Services (DSS) administers all services in stage 1 (see analysis for more details on stage 1 in the Department of Social Services section) and the Department of Education (SDE) administers the services provided in stages 2 and 3.

The SDE's budget includes \$166.8 million for stage 2 and identifies \$60 million in stage 3 funds that were being used to serve TANF recipients (now CalWORKS recipients) prior to welfare reform.

The final Budget Act of 1997 contains \$960.4 million (including \$607 million in Proposition 98 General Funds and \$353.4 million in federal funds) for child care services administered by the SDE. The 1998 proposed budget for child care services administered by the SDE totals \$1.1 billion (including \$804 million in Proposition 98 General Funds and \$336.1 million in federal funds). This is an increase of \$179.7 million or an 18.7 percent increase over the current year.

The budget includes the following augmentations for child care services, which are to be administered by the Department of Education:

- \$25 million for half-year funding for the state pre-school program. The Administration estimates these funds will serve approximately 19,000 additional children. This represents the initial increment of a two-year plan to serve all four-year-olds whose family income is below the federal poverty level. This assumption does not include four year-olds currently being served through Head Start, State Preschool or other child care and development programs;
- \$23 million for the purpose of providing full-year funding to continue to serve the 5,000 infants and toddlers added in the current year;
- \$15 million to complete the expansion begun in 1997-98 for wrap-around care to enable 14,000 children in state preschool to receive full-day care services;
- \$10 million in half-year funding for the purpose of further expanding child care services to serve an additional 2,200 infants and toddlers;
- \$6 million in recognition of both the federal and state minimum wage increases;
- \$5 million for educational outreach, including training for both licensed and license-exempt family childcare home providers in the use of the guidelines;
- \$2 million from Healthy Start funds are redirected for an Infant and Toddler Development Parent Outreach and Education program to enable Healthy Start sites to serve families with very young children; and
- \$1 million to develop pre-kindergarten learning guidelines.

## WELFARE REFORM - CHILD CARE AND DEVELOPMENT GRANT

The Governor's budget provides an increase of \$127.5 million for the Department of Education's share of programs specifically reserved for CalWORKs-related care. The increase includes \$43 million from federal Child Care and Development Block Grant Funds, and \$84.5 million from the Proposition 98 General Fund to expand programs to accommodate an additional 30,400 children.

The budget also proposes \$4 million to expand child care resource and referral services. Resource and referral agencies provide information to parents about the availability of child care, provide potential care givers with licensing information, and coordinate community resources for the benefit of parents and local child care providers. Pursuant to AB 1542 (Ducheny), this expansion will enable these agencies to work closely with county welfare departments to help CalWORKs families quickly locate the child care services necessary to accommodate their work or training schedules.

Finally, the budget proposes \$949,000 to fund 12 new positions and related costs to support the expansion of local assistance programs. These funds will also enable the Child Development Division to comply with AB 1542 (Ducheny), which requiring the Department to increase activities which educate parents about the importance of choosing quality day care services for their children.

## PROPOSITION 98 GENERAL FUNDS

**Opportunity Scholarships:** The Governor's budget proposes to use \$52 million to encourage 15,000 students enrolled in low performing schools to attend private schools using public funds. While the Governor's proposal would allow students to choose to attend either a public or a private school, the calculation of the Proposition 98 Guarantee was developed with the assumption that all 15,000 students will choose to attend a private school. This assumption reduces the Proposition 98 Guarantee by approximately \$92 million.

Several concerns have been expressed with this proposal. For example, is it more appropriate to target funding for only 15,000 students as opposed to investing these resources in a manner that benefits all students who are attending a low performing school?

## OTHER PROGRAM AUGMENTATIONS:

The proposed budget also:

- Sets-aside \$6.2 million for additional educational costs of alternative education programs for expulsion of pupils who carry illegal drugs on campus. Expelled pupils must be enrolled in an alternative program, which is designed to accommodate at-

risk, troubled, or violent youths. These alternative programs are typically more costly than regular education programs;

- Provides \$2 million for the Home-to-School Transportation program, the highest priority given to districts with transportation costs that average 110 to 115 percent of the statewide average and that have either weather or terrain conditions that vary substantially from those of other districts;
- Provides a \$2 million augmentation for the State Special Schools for additional teaching assistants and other workload increases;
- Includes \$1.4 million to continue development of a new automated system to allocate school district apportionments. In 1997-98, \$400,000 was provided to contract for a fiscal management review of the existing system;
- Authorizes \$3 million to continue piloting and implementing the California School Information Services project to electronically exchange school information and develops standards for data management. Of this amount, \$800,000 is earmarked for Student Friendly Services through Technology;
- Includes \$1 million to establish the California State Summer School for Math and Science. The Summer School (similar to the Summer School for the Arts) would provide California high school students who have demonstrated exceptional talent and excellence in math and science with intensive instruction through a multi-dimensional, residential training program; and,
- Proposes \$708,000 to fund the existing 155 state-funded partnership academies plus \$1.35 million to fund 45 additional academies. Funds for the new partnership academies will be targeted toward inner city high schools in order to serve a greater number of at-risk pupils.

#### **FEDERAL FUND**

The Governor's budget includes the following federal funds:

- \$68.6 million in new Special Education Part B, federal funds;
- \$43 million from federal Child Care and Development Block Grant Funds for additional childcare slots in stage 2;
- A \$32.3 million increase to reflect an anticipated increase in the federal funded child nutrition program which provides free and/or reduced priced meals for needy children;
- A \$25.9 million increase in federal funding for the Technology Literacy Challenge Grant Program; and,

- A \$4.9 million increase to reflect an anticipated increase in the Eisenhower Professional Teacher Training Grant.

**Goals 2000:** The Goals 2000 Educate America Act of 1994 established a set of education goals which schools were directed to achieve by the year 2000. The funds provided through Goals 2000 are to be used by states to engage in comprehensive standards-based school improvement plans. In the first year, states were required to submit state and local level plans outlining the proposed reforms expected to be accomplished in order to improve schools and work toward meeting the education goals established by the Goals 2000 Act.

The Governor's budget proposes that the \$94.5 million received from the Federal Goals 2000 Grant be spent on the following one-time activities, illustrated on Table 3.

Table 3

<b>GOALS 2000 ONE-TIME EXPENDITURES</b>	
<b>STATE OPERATIONS:</b>	<b>GOVERNOR'S PROPOSAL</b>
General administration (includes \$120,000 for administration of CSR evaluation)	\$1,100
Class Size Reduction Program Evaluation	500
California Reading Initiative Evaluation	500
Center for Teaching Careers	500
Total funding for administration	\$2,600
<b>LOCAL ASSISTANCE:</b>	
Reading staff development, in-service	
K-3	\$ 6,000
4-12	30,900
Local improvement plans	15,200
Student Academic Partnerships (tutors)	5,000
Advancement Via Individual Determination (AVID) Program	1,000
Total in the Item	\$58,100
<b>GRAND TOTAL</b>	<b>\$60,700</b>