

Chapter 7

EDUCATION

I. CONDITION INDICATORS

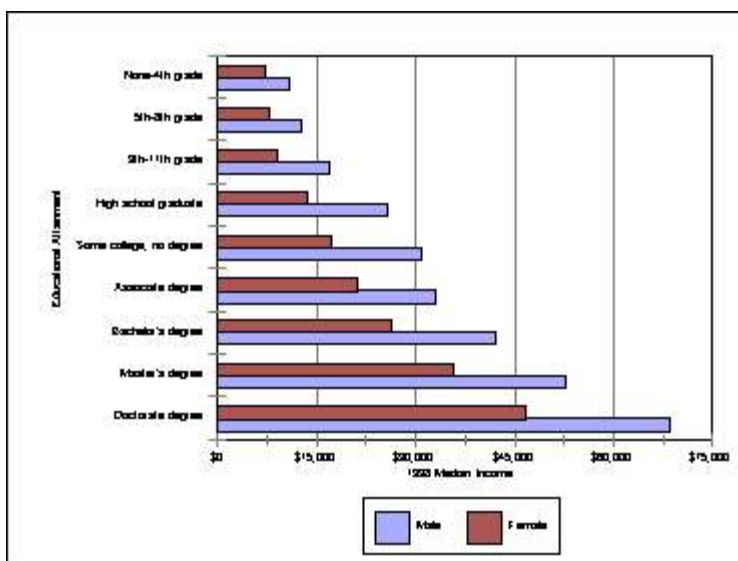
A. Education, Income and Opportunity

Over 2.6 million California children live below the poverty line of \$15,020 annual income for the benchmark family of three. A substantial and increasing number of children live in extreme poverty, below one-half of the poverty line. These impoverished families tend to be isolated geographically and lack the “network of contacts” so important to economic advancement. They tend to be minorities, relatively recent immigrants, and have language barriers to surmount. They are disproportionately young. Imposing barriers inhibiting their upward mobility into the middle class, including their circumstance of birth (particularly to unwed, impoverished parents), lack of paternal financial help, inheritance disadvantage, regressive taxation, low minimum wages, and continuing high youth unemployment (see discussion in Chapter 2).

Currently, more than one-third of the state’s children live below or near poverty (below 125% of the line), in stark contrast to the majority middle class. As Chapters 1 and 2 discuss, California’s lower middle class is sinking into potentially intractable poverty. Three demographic groupings are evolving: a 5% upper class of increasing wealth and decreasing tax burden, a 50%–60% middle class population enjoying rising affluence, and an underclass projecting at above 35% who are employed part-time or are unemployed. While five to ten percent of the population has traditionally been impoverished, the growth of such an underclass to the dimensions now projected is inimical to democratic values. As Chapter 2 notes, a recent study finds 48.9% of California’s children under 6 years of age at “below or *near* poverty.”¹ This is the population which must be lifted up economically to re-inflate the middle class, and to assure the American promise of upward mobility and opportunity.

The data suggest that the educational level of children strongly correlates with their future economic success. Figure 7-A indicates the existing strong and positive relationship between education and earnings in the United States. In 1998, a male high school drop-out earned a median salary of \$16,818 annually; a female earned \$8,861. A male high school graduate earned a median of \$25,453 per year; females earned \$13,407. A male with a bachelor’s degree earned a median annual salary of \$41,949; a female earned \$26,401. As the figure indicates, employment and domestic wage levels directly relate to educational attainment.

That correlation is likely to be further enhanced by the evolving international labor marketplace, in which the American niche is technical services. Future projections anticipate continued international competition for low skill jobs, particularly factory and other non-service manual labor. In 1984, 24% of U.S. jobs were characterized as “high skill” and 40% as “low skill.” Trends over the past years, and as projected to 2000, reverse that balance to 41% high skill and 27% low skill.²



Source: Department of Commerce, Bureau of the Census, *Educational Attainment in the United States: March 1998 (Update)* Table 8. Restricted to persons 25 years and over.

FIGURE 7-A. Median Income by Higher Education, 1998

Recent data from California underlines the importance of education beyond high school given job trends. As discussed in Chapter 2, from 1979 to 1998, real wages among California men who lack a high school diploma fell 34%, while women fell 21%. Only those who had “some” college gained in real income from earnings over the last 20 years, with income gains directly proportional to educational attainment. Men with advanced degrees enjoyed a 27% earnings rise and women a 39% increase in constant dollars between 1979 and 1998.³

Also reflecting national trends, California data show manufacturing jobs falling from 20.8% of the labor force in 1979 to 14% currently. Low paying service industry jobs have grown from 21.5% to 31% but will level at 35% in 2005 according to projections.⁴ Overall, 38.5% of new jobs between 1995 and 2002 are at median wages below \$10 per hour, and 50.3% are below \$12.50 per hour.⁵ But substantial growth is also occurring for business executives and general managers and in electronic data processing. Of critical import: California is failing to provide indigenous supply for the increasing technical and managerial jobs above self-sufficiency levels for families. That failure drives their compensation yet higher, and stimulates importation of foreign technical professionals. At the same time, flooding the market with the less educated (for the service jobs available) drives their compensation lower. As of 2000, 1.3 million job seekers without college degrees compete for a projected 430,000 new jobs (one job for every three seekers), while 108,000 college graduates seek 125,000 job openings requiring a post-high school degree.⁶ This imbalance is a contributor to California’s “pulling apart” pattern—the middle class depleted from above and below. While America and California has had 5%–10% of the population in relative poverty historically, the state is headed toward a higher percentage than most of the nation, a possible level that projects to over one-third of the population. That extraordinarily high percentage will have the expectations and frustration predictable from the evident affluence around them.

B. Attendance/Demographics

California’s current K–12 public school enrollment stands at 6.14 million children, an increase of 28.7% since 1989–90.⁷ Private and religious schools educate another 650,000 children.⁸ The drop-out rate (leaving school prior to completion of high school) among the 90% of California’s children who attend public schools increased through the 1970s and approached 25% by 1986. It fell to 20.1% by 1990. As Table 7-A indicates, the rate has slowly dropped further since, declining to 11% in 2000–01. However, experts believe that “cohort graduation rate” is a more accurate measure of drop-out impact, e.g., the percentage of ninth graders who graduate in four years. Other methods of calculating drop out

rates may cloak decline through social promotion leading to eventual award of graduation or equivalent certificates. California’s high school graduation rate was recently ranked 37th among the 50 states and the District of Columbia.⁹ In 2000–01, African American and Latino rates, although down from 1986 levels, remained at 19.1% and 15.0%, respectively, more than double the 6.7% white rate.¹⁰

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Four-year rate:	20.0%	19.0%	18.5%	17.1%	15.3%	13.0%	11.7%	11.1%	11.1%	11.0%

Source: California Department of Education

TABLE 7-A. California High School Drop-Out Rates, 1991–2000

Complicating Table 7-A’s data is the view that it cloaks the actual drop-out rate through its definitions and measurement mechanism. The state chose its method because of its contention that many students who transfer between districts may be erroneously listed as dropping out. As noted above, most experts agree that the most useful measure of drop-out rate is the percentage of ninth graders who in fact graduate as 12th graders four years later. The state method showing improvement is based on the assumption that students who transfer out enroll elsewhere. While that may be true in calculating individual districts, tracking the number statewide (given low out-migration from California) removes that variable.¹¹ Accordingly, on June 8, 1999, the State Department of Education released that statewide data. The results were much different than Table 7-A indicates. Rather, they show that the 1998 graduation rate of those entering high school in 1994 was a low 67.2%, indicating a 32.8% drop-out rate by the approved definition, the third worst such rate in the United States. The drop-out rate by this measure in Los Angeles County was 54%. Moreover, by another measure, the state confirmed that only 81% of the state’s youth from 18 to 24 years of age have a high school diploma.

An advocacy group looking at the year 2000 drop out rate of 11% above contended that the actual rate is 33.3%, with only 66.7% of students entering ninth grade four years ago graduating in year 2000.¹² Categorical spending by the state to prevent drop outs is at a low \$21 million, proposed for \$21.8 million in 2002–03 (see Table 7-J below).

English Learners (previously called “Limited English Proficient” (LEP) students) make up 25% of California’s total K–12 population,¹³ and over one-third of all students in kindergarten through third grade, both record highs.¹⁴ As Figure 7-B indicates, earlier grades reflect progressively higher levels of English Learners, reflecting both success in achieving English proficiency as students progress through school, and increases in the proportion entering school for the first time.

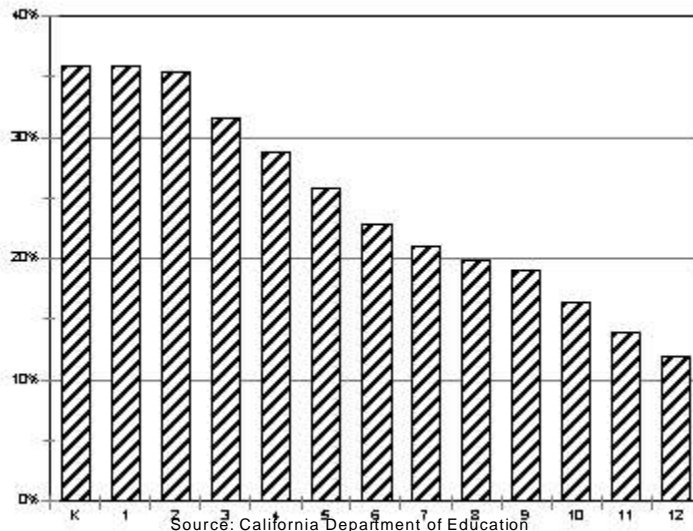
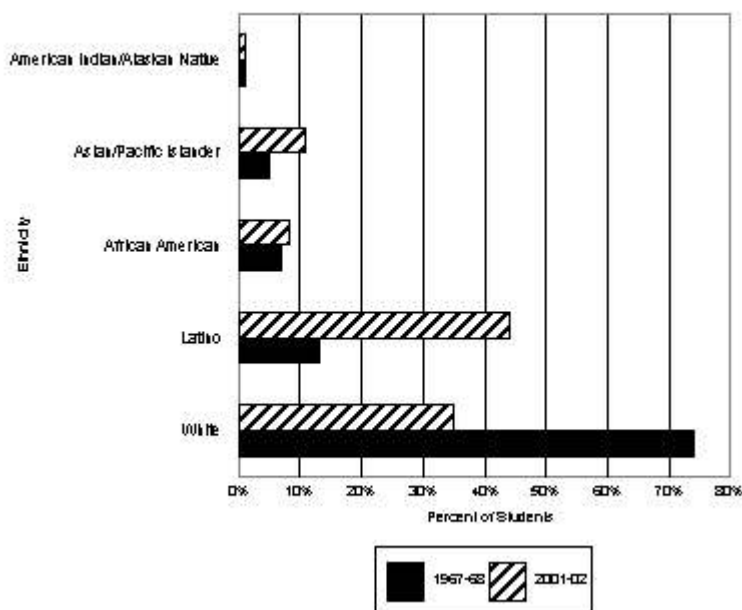


FIGURE 7-B. Percentage of English Learning Students by Grade, 2000–01
Currently, 35% of the children in California public schools do not speak English as their first

language; the national average is 13%.¹⁵ Over 1.2 million public school children speak Spanish as their primary language, 83.4% of English Learners. The next six largest foreign language groups are Asian (Vietnamese, Hmong, Cantonese, Tagalog, Korean, and Cambodian (Khmer)); 21 other languages are spoken by more than 1,000 students each in public schools, and an additional 27 other languages are spoken by other English Learners.¹⁶

Figure 7-C presents the ethnic breakdown of public school enrollees as of 2001–02 compared to 1967–68. In 1967, white students made up 74.7% of California students while Latino children constituted 13.9%. The current count places the white proportion at 34.8% of all public school students. Most of the minority increase has been Latino and Asian/Filipino, with the Latino children now at 44.2% of the total public school population, over three times their proportion a generation ago, and now constituting the largest single ethnic group.¹⁷ By 2003, the state expects a further decrease of the white proportion to 32%.



Source: California Department of Education, Educational Demographics Unit

FIGURE 7-C. Ethnicity Distribution in California Public Schools, 1967–68 and 2001–02

C. Special Education Demographics

As Figures 7-D and 7-E indicate, California had 650,719 special education students in 2000–01, 10.8% of total enrollment.¹⁸ Both are record highs, although the percentage is now leveling. Children with special needs require additional public school services. They are each to have an Individualized Education Program (IEP) which is designed by a special education teacher, parent, the student, and a resource specialist if needed. Children with special needs must be tested and evaluated at least once each year. Schools must absorb the additional costs involved in educating special needs students. (See Chapter 5 above for further discussion of children with special needs.)

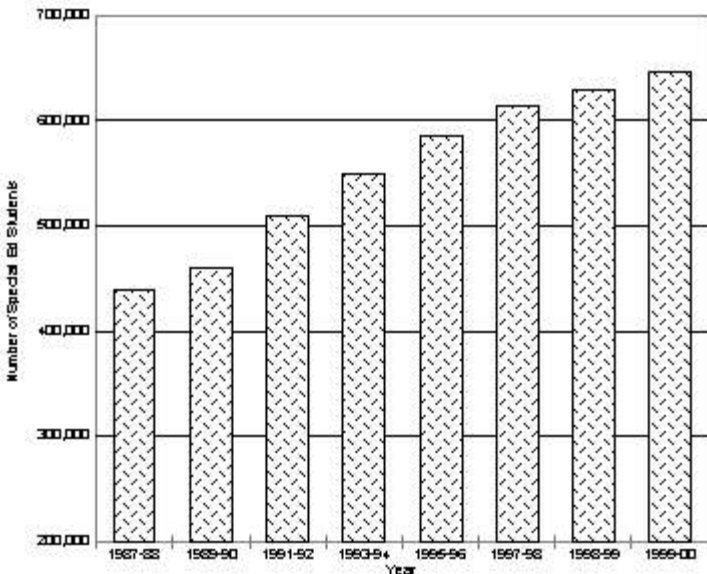


FIGURE 7-D. California Public School Children Enrolled in Special Education, 1987–2000

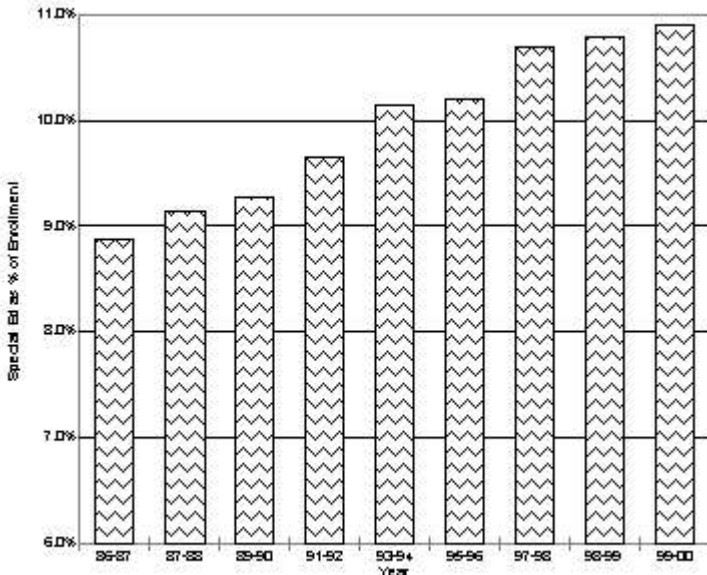


FIGURE 7-E. California Special Education Enrollment as a Percentage of Total Public School Enrollment

D. Class Size

Research indicates a correlation between class size and teaching efficacy, particularly for the teaching of children through third grade.¹⁹ The number of California students per teacher increased from the 1987–88 school year to record levels in the mid-90s. The state had the second largest average classroom size in the United States until 1996–97, when then-Governor Wilson budgeted and the Legislature approved an infusion of funds to schools lowering class size to 20 students per certificated teacher in kindergarten through third grade, with first grade given highest priority. The sudden nature of the increase and the lack of facility funds to accommodate equivalent classroom construction lessened

the value of the smaller classes to the students, particularly the continuing shortfall in experienced teachers for the sudden influx of new classes. However, statistically class sizes were quickly reduced markedly for K–3 classes, and within two years approached the national average for those grades.

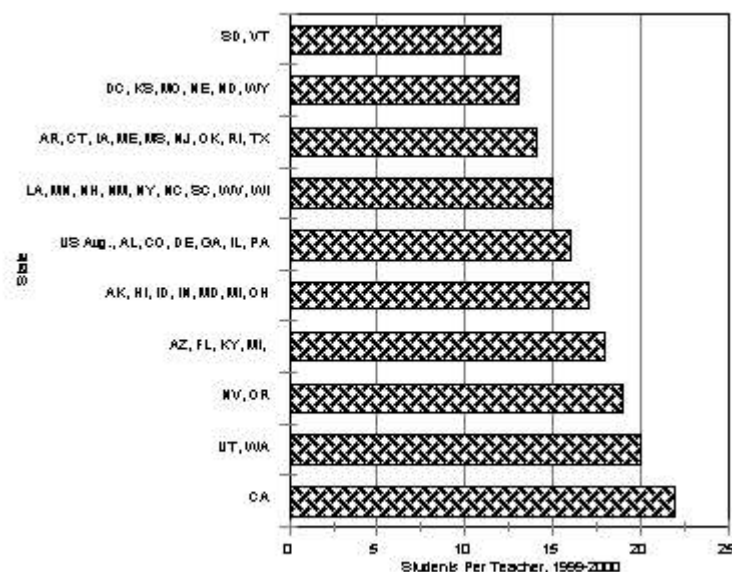


FIGURE 7-F. Students Per Teacher, 2000–01²⁰

Figure 7-F presents California's national ranking using 2000–01 data, reflecting most of the mathematical improvement in ratios from Governor Wilson's investment, with students per teacher falling from 24.1 to 22. Actual class room sizes are larger (for all states) by 4 to 6 students given special and non-teaching assignments of some teachers. Because class size in grades 4 through 12 did not decrease, and even increased slightly during the K–3 class size reduction effort, California only moved ahead of one state (Utah) to reach 49th in lowest class size per teacher. After the first year and one-half of the Davis Administration, and little class size reduction effort, California again moved back to 50th—last place, as Figure 7-F from last year indicates. It has not engaged in significant class size reduction in the current year (see *California Children's Budget 2001–02*, Chapter 7), and it remains in that position. The proposed 2002–03 budget will likely move the state further into last place, increasing the margin below the national average. Its current classes are more than six students per teacher larger than the U.S. student-teacher average.²¹ As discussed below, the state's failure to follow up its investment with planned, paced reductions for grades 4–12, combined with its accumulated deficiency over a prior decade of disinvestment, puts the state still substantially behind the rest of the nation.²²

California's disinvestment has extended beyond class size and inadequate numbers of teachers. The state also has the nation's second worst staff-to-student ratio, where additional resources have not been focused during the past three years. Support staff includes district officials, principals, instructional coordinators, teachers, guidance counselors, school and library support staff, instructional aides, and school nurses. California's average is one staff person per twelve students, ranking it 50th among the 50 states and the District of Columbia. Areas where California's deficiency are most marked are: guidance counselors (U.S.—1 to 512 students; California—1 to 1,082); teachers (U.S.—1 to 17 students; California—1 to 24); and librarians (U.S.—1 to 882 students; California—1 to 6,179). In each of these three categories, all important to the efficacy of schools and to student advancement, California ranks 51st, the lowest in the nation.²³

E. Examination Performance

1. Advanced Placement

Advanced Placement (AP) examinations offer high school students the opportunity to earn college level credit by taking advanced level classes while in high school. At the end of each school year, the student has the opportunity to take a national AP test which will determine whether he or she receives college level credit. Each test is graded on a five-point scale. A grade of three or better will earn the student college credits at most colleges and universities. The percentage of California 11th and 12th graders earning qualifying grades on AP examinations has increased over the past several years, from four tests passed per 100 students in 1985 to 11.1 tests passed per 100 students in 1995 to 16.8 tests passed per 100 students in 2001.²⁴ Seniors in California’s public high schools had an impressive passing rate of 23 tests per 100 seniors in 2001.²⁵ As Figure 7-G indicates, this trend has been nationwide, with California maintaining a rate of placement about 40%–50% higher than the national average.²⁶ For all California students taking the AP examination in 2001, the mean grade by ethnic group arrays as follows: White—3.06; Asian/Asian American—2.90; Latino (Chicano/Mexican)—2.83; American Indian/Alaskan—2.56; and African American—2.17.

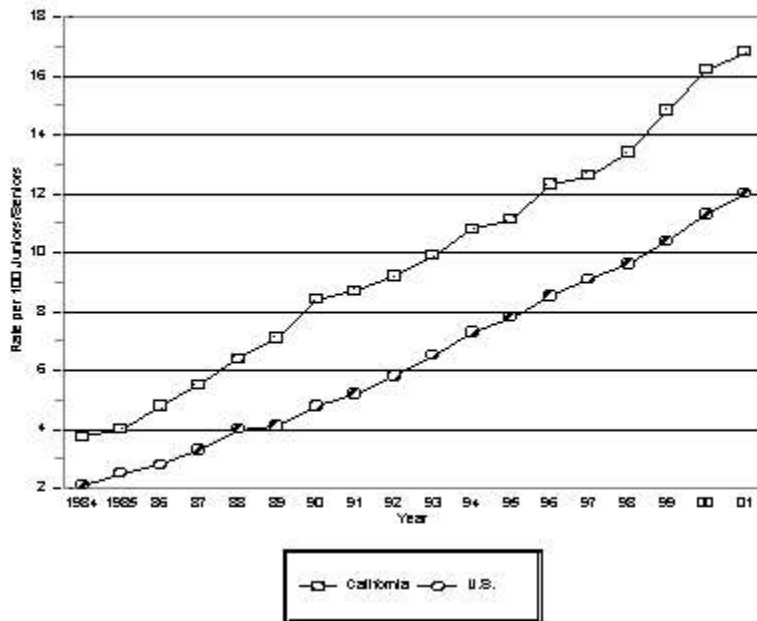


FIGURE 7-G. AP Qualifying Rate per 100 Juniors and Seniors

2. Scholastic Achievement Testing (SAT)

The number and percentage of Scholastic Achievement Test (SAT) applicants have increased as well. As Table 7-C indicates, 49% percentage of the state’s high school graduates took this college admissions examination in 2001, above the national average of 45%. The 2001 average performance of California students is close to the national average, with takers scoring 498 on verbal (as compared to a 506 national average) and 517 on math (compared with a 514 national average) for a total score of 1015 (compared to a 1020 national average).

The relatively comparable scores of California high school seniors is unexpected given the high rate of SAT examination participation by a population with serious disadvantages. As Table 7-C suggests, substantial differences between California and national SAT test takers would predict lower scores than

are achieved. For example, (1) California’s minority students are seeking advanced placement courses and SAT examination participation at high levels, with 58% taking the SAT examination as opposed to 35% nationally; (2) English is not the first language for 20% of California’s students, as opposed to 9% nationally; (3) only 36% of California SAT takers, as opposed to 50% nationally, had completed 20 or more academic courses; and (4) 11% of the parents of California test takers had never finished high school, while the national percentage was 4%.

	1995 Scores	1996 Scores	1997 Scores	1998 Scores	1999 Scores	2000 Scores	2001 Scores
SAT Verbal							
U.S.	504	505	505	505	505	505	506
California	492	495	496	497	497	497	498
SAT Math							
U.S.	506	508	511	512	511	514	514
California	509	511	514	516	514	518	517
Combined Score							
U.S.	1010	1013	1016	1017	1016	1019	1020
California	1001	1006	1010	1013	1011	1015	1015

TABLE 7-B. SAT Performance Scores, 1995–2001²⁷

	California	U.S.
SAT Scores -- Verbal	498	506
-- Math	517	514
-- Combined	1015	1020
Participation rate	49%	45%
Minority takers	58%	35%
Parental education: No high school diploma	11%	4%
English not first language	20%	9%

TABLE 7-C. Background Variables for 2001 SAT Takers

3. National Fourth, Eighth, and Twelfth Grade “CLAS” Testing

The performance of students in SAT scores from 1993 to the present may partly be a product of demographics and public investment in K–12 education over the previous twelve years. More current data are available from fourth grade tests, which more reflect the performance of students (and of the school system) over the prior three to five years of school attendance, and reflect the increasing rate of LEP children at earlier grade levels. In 1992, tests were given nationally to fourth-, eighth-, and twelfth-graders. California’s twelfth grade scores were close to the national average: math scores were slightly higher than the national average and verbal scores were lower. But eighth grade test results were in the bottom one-third of states tested, with the math score dropping to 29th out of 41 states tested. Fourth-grade math scores placed California 38th out of the 41 states tested. The fourth grade reading scores placed California 40th, above only Mississippi (see Table 7-D).²⁸

Math:

- 6—consistently correct with a thorough understanding
- 5—essentially correct and complete, with minor flaws
- 4—usually correct and complete, although with flaws
- 3—sometimes correct but lacks depth or shows gaps
- 2—incomplete and with little evidence of correct solutions
- 1—rarely correct with little or no understanding

	4 th Grade	8 th Grade	10 th Grade
6	3%	3%	3%
5	10%	8%	4%
4	16%	13%	7%
3	31%	20%	12%
2	22%	24%	31%
1	19%	33%	42%

Reading:

- 6—thorough and insightful understanding
- 5—thorough understanding w/ connection to own knowledge
- 4—thoughtful understanding w/some connection to own knowledge
- 3—literal understanding, limited connections, superficial
- 2—limited or partial understanding, few or no connections
- 1—understands only isolated words or phrases

	4 th Grade	8 th Grade	10 th Grade
6	0%	0%	1%
5	2%	5%	6%
4	21%	34%	29%
3	50%	41%	42%
2	22%	17%	21%
1	5%	3%	3%

Writing:

- 6—skillfully engages, exceptional insight
- 5—holds interest, shows insight
- 4—communicates, connects writer's knowledge to subject
- 3—purposeful, but imprecise, undeveloped, some English errors
- 2—unorganized/underdeveloped, frequent English errors
- 1—too disorganized to communicate, many English errors

	4 th Grade	8 th Grade	10 th Grade
6	0%	1%	1%
5	5%	10%	8%
4	27%	35%	30%
3	45%	43%	39%
2	17%	9%	16%
1	6%	1%	6%

TABLE 7-D. 1994 CLAS Test Results

4. 1998 Reading Test Results

The STAR test results were consistent with the 1998 reading scores of fourth graders, tested by the National Assessment of Educational Process. Its findings, released on March 10, 1999, concluded that only 20% of California's 4th graders were proficient readers, ranking 38th among the 39 states tested. Scores for boys averaged 27 nationally and 18 in California; scores for girls were 31 nationally and 22 in California. The ethnic breakdown shows African-Americans at a remarkable low 7 compared to 9 nationally, and Latinos at 8 in California, compared to 12 nationally.²⁹ The California results are not entirely explained by the high LEP population. Texas, with a similar high population, ranked 16th among the 39 test states.

Educators attribute the low scores to a mix of factors, including historical class size, the infusion of unqualified teachers (10% of the state's teachers are "emergency credentialed"—most of them at the K–3 level since 1996 and teaching the 4th graders tested here), failure to remove unsuccessful teachers, lack of parental involvement, poverty, immigration, and LEP rates.

5. 2000 and 2001 Stanford 9 (STAR) Test Results

The thesis of delayed but substantial injury to child education from disinvestment was supported by the 2000 statewide Stanford 9 test results. Implemented at the insistence of former Governor Wilson, these national tests cover grades 2 through 11, and test reading, language, and math (grades 2–11), spelling (grades 2–8), and science and social science (grades 9–11). The initial released results included only those students who were not LEP, on the grounds that comparing language and related abilities between those just learning English as a second language and native speakers was unfair and misleading. However, after a court decision, the full results were released, with the total population, LEP, and non-LEP results arrayed and including the examination of 4,262,802 students.

The 2000 results from the STAR tests are discussed in the *California Children’s Budget 2001–02*,³⁰ and are similar to the more recent 2001 score results. A total of 4,541,412 students took the 2001 exam; the results summarized in Table 7-E below present the percentage of California scores achieving or exceeding the national 50% score. Hence, a score of 50 indicates parity with the national average; as numbers go down below 50, they represent a lower percentage of California test takers achieving the 50 percentile national score.

The LEP results included in these numbers involve 1,071,529 students (an increase from the 991,243 taking it in 2000), and now make-up more than one-fourth of the test takers. Their scores are extraordinarily low, with grade level averages ranging from 28 to 3 in reading, 43 to 19 in math and 32 to 8 in language. California’s disproportionately high share of these students accounts for some of the low scores, which are generally consistent with the 1998 and 2000 results.³¹ Some slight improvement in the scores is evident, as the highest class year average in reading moved from 25 to 28 in 2001 over 2000, and the highest math achieving LEP class moved from 40 to 43. While the 2001 results show measurable improvement from 1998 and 2000, the margin is small and the overall lack of basic language and math skills presents a daunting educational challenge for this group.

Grade	2	3	4	5	6	7	8	9	10	11
All Students										
Reading	51	46	47	45	47	48	50	35	34	37
Math	58	59	54	54	57	50	49	51	45	46
Language	53	51	54	53	54	56	52	53	41	49
Spelling	53	51	46	49	46	49	38			
Science								41	46	42
Social Science								47	38	59
LEP Students										
Reading	28	17	15	11	11	10	10	3	3	4
Math	43	41	30	28	30	21	19	21	19	21
Language	32	27	28	24	23	21	16	17	8	12
Spelling	36	32	22	22	18	15	9			
Science								11	15	11
Social Science								18	8	29

Source: California Department of Education

**TABLE 7-E. STAR Test Results, 2001:
Percentage of California Students Scoring At or Above 50th NPR³²**

Of special concern is an overall performance collapse of all students in the high school years. The results here in 2001 are consistent with similar numbers applicable to 2000 in the California Children’s Budget 2001–02.³³ In reading, California students move from close to the nations average through 8th grade to the 34–37 percentile nationally in high school. In math, they move from well above the national average through 6th grade, to the average in 7th–9th, to below the average in 10th and 11th grades. This collapse in scores is not solely the result of LEP student influence—in fact, the LEP students exist in much higher numbers in the lower grades, with the smallest percentage currently in high school.

Table 7-F removes the LEP students entirely and confirms elementary and middle school reading scores at well above the national average, followed by a remarkable decline through all three high school years tested. The results in year 2000 were similar. Language scores are consistently well above the national average to 10th grade, when they fall 5 to 10 points as well. The non-LEP results are skewed to favor California since the comparison is with a national average which includes LEP students within its mix, albeit at lower levels than in California. Comparing Table 7-F with national non-LEP averages would move the scores down by 3 to 5 points, making the high school scores of particular concern. These high school students have been in elementary and middle school for the last nine years of education disinvestment (going through K–3 before the class size reduction of the Wilson Administration) and have experienced consistent large classes and high student-teacher ratios.

Grade	2	3	4	5	6	7	8	9	10	11
Non-LEP Students										
Reading	63	59	59	57	57	57	59	41	40	42
Math	66	68	64	63	65	58	56	58	50	50
Language	64	62	65	62	63	65	60	60	48	55
Spelling	61	59	56	58	54	57	45			
Science								48	52	47
Social Science								53	43	64

TABLE 7-F. STAR Test Results, Excluding LEP Scores, 2001³⁴

In terms of result distribution, impoverished and minority children (African-American and Hispanic) fared especially poorly. Although the test results indicate some marginal gains for all children combined, children from low-income families have fallen yet further behind.³⁵

6. The New California High School Exit Examination (CAHSEE)

In early 1999, the Legislature approved required testing for graduation (high school diploma) starting in 2004. Those currently in 9th grade will have to take English and math proficiency examinations to graduate. The test can be taken starting in the 9th grade, and must be given starting in the 10th grade—to give students notice of their progress toward this new graduation requirement. Twenty-three other states have similar graduation “exit” examinations.

The examination was given on a voluntary basis to 9th graders in the Spring 2001. About 370,000 9th graders participated (78% of those enrolled). Those who did not take or who flunked it will be required to take the exam as 10th graders in the Spring 2002.

The results were alarming to many. Another three years of schooling may allow many more to pass, and indeed some of the subject matter tested has not been taught to the test takers (e.g., algebra). However, only 25% of the freshmen scored above 70%, the presumed “pass” level. In June 2001 the State Board of Education relaxed that presumed pass level to 60% on the English portion and 55% on the math part to receive a high school diploma. Even with the lowering of the standard, only 34% of the

state's 9th graders passed both parts. A substantial number passed one of the two, with 64% passing English and 44% passing math.

Of great concern is the distribution of scores, within the overall 60% English passage rate, a lower 50% of African-American and 48% of Hispanic students passed. For math, while the overall score of 44% was low, only 24% of African-Americans and 25% of Hispanic children passed. Although these children will have additional chances and instruction to move above levels necessary for a high school diploma, the overall record of high school teaching as indicated by the STAR results above, suggest that middle and high school class size reduction and teacher qualification and training require a major state investment. It is not meaningfully proposed in the 2002–03 budget, as discussed below.

The new test operates in conjunction with associated legislation to rank all 8,000 of California's public schools based on examination results, which would be made public. Those schools scoring below the 50th percentile would be eligible for special assistance funding (see discussion of changes since 2000–01 below).

The Legislative Analyst released a report in 2001 analyzing California's academic preparation for higher education, and concluding: "preparedness is persistent and pervasive." The LAO Report found that unpreparedness has increased significantly at state colleges, concluding that "almost half of regularly admitted state college (CSU) students arrive unprepared in reading, writing, and in math. The year 2000 data indicated 46% were unprepared in reading and writing and 45% in math. Even at the admissions stricter UC system, more than one-third of the incoming students are unprepared for college level writing. Unpreparedness within the "special admit" category was extremely high, with 91% of these students admitted to CSU judged unprepared for college writing or math (about 9.2% of CSU admissions were by special exception and in this category).³⁶ These rates then require substantial attention during freshman year to remediation course work.

7. 2001 National Science Test Results

The science test results in the 2001 STAR results above indicate the California high school students score below the national average, with LEP students scoring from 11% to 15%. On November 21, 2001, the National Assessment of Educational Progress released its national science aptitude test results, with a sampling of children in 4th, 8th, and 12th grades. Of the 40 states studied, California finished at the bottom overall, as it did in 1997. The survey gauged as proficient the science aptitude of 29% of fourth graders, 32% of eighth graders, and most alarmingly—18% of high school seniors.³⁷

Although unlikely to address these low overall performance levels, the Governor signed AB 620 (Wayne) in October of 2001 to authorize \$20 million for a High-Tech High Schools Grant Program—to create ten technology specializing high schools, with limited enrollment and competitive admission. Although not addressing the overall educational shortfall, the subsidy will provide stimulation at the upper end, for students with high aptitude—also a legitimate subject for state educational investment.

F. Higher Education Applications/Slots

The data indicate extraordinary efforts by California high school students to gain entrance into higher education. As noted above, AP course participation is 40%–50% above the national average, and the percentage of high school seniors taking the SATs for college runs about 10% above the national average. Data indicates that 35.4% of high school seniors are completing a course sequence for admission to a University of California or California State University.³⁸

Table 7-G includes all higher education: community colleges, the state college system, and the state university system. Figure 7-H presents the numbers adjusted for population line. The private college option is taken by only 8.1% of high school seniors and, given extraordinary tuition now commonly at \$15,000 to \$25,000 per year, is increasingly limited to the wealthy and the relatively small number given scholarships.³⁹

	1990-91	1992-93	1994-95	1996-97	1998-99	2000-01	2001-02	2002-03
Univ. of Cal.	157,206	155,530	152,050	155,387	161,400	171,270	181,031	189,028
Cal. State Univ.	278,902	258,834	247,113	262,428	273,928	290,554	305,854	318,124
Community Colleges	884,932	896,900	854,831	902,839	961,609	1,031,206	1,062,142	1,094,006
Hastings	n/a	1,253	1,257	1,284	1,140	1,198	1,200	1,200
Total	1,321,040	1,311,264	1,255,251	1,321,938	1,398,077	1,494,228	1,550,227	1,602,358
Adjusted	1,570,188	1,503,364	1,378,015	1,404,163	1,449,666	1,511,860	1,550,227	1,582,008

Adjusted to 0-19 population (2001-02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 7-G. State of California Higher Education Enrollment⁴⁰

The public higher education enrollment decline has occurred while more students are attempting to obtain advanced education, particularly among California's ethnic minorities, and are achieving higher-than-anticipated scores. The statistics suggest that young persons are aware of the future job market for American workers—the shift to technical knowledge and communications skills, and the necessity of advanced education. However, instead of increasing the proportion of youth able to pursue public higher education, disinvestment has caused a decrease in the proportion of high school seniors able to pursue higher education. As with K-12 disinvestment discussed below, it has not occurred through attention-attracting raw number cuts, but by keeping increases at population growth over a substantial period of time.

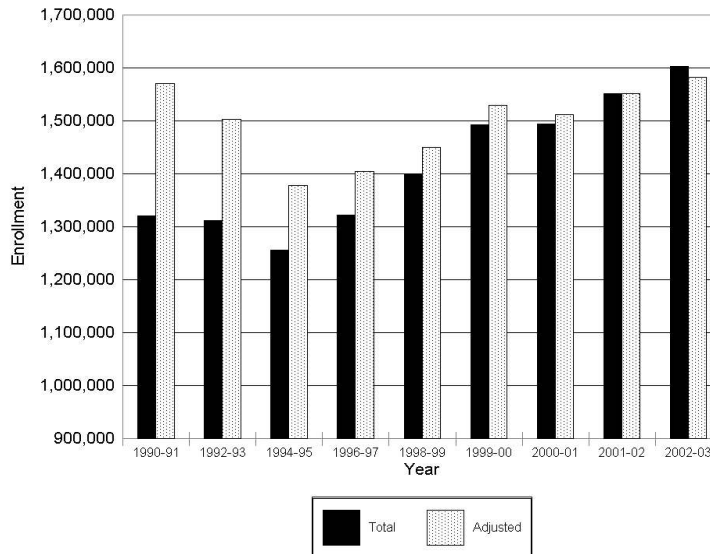


FIGURE 7-H. State of California Higher Education Adjusted Enrollment

In 2001 the UC system received a record number of 58,424 applications, up from 54,146 in 2000. The increase was stimulated partly by expansion of Cal Grant scholarship (tuition) help (see discussion below) and partly by a new state policy that every high school student who finishes in the top 4% of a class is eligible for admission to the UC system. A remarkable 80% of those eligible students applied for fall admission in 2001. However, the new policy is largely a gimmick given the relatively marginal capacity expansion. It eases entry for those with higher class standing by school, while excluding more previously admitted students with higher SAT test scores or who performed slightly below the top 4%.

In July of 2001 the UC Regents endorsed a further expansion of assured admission for the UC system. The percentage of new minority students had fallen substantially after the end of affirmative action consideration in 1995. Accordingly, UC President Richard Atkinson proposed, and the Board of

Regents approved a plan to allow an alternative route to the UC system, particularly important for students from underperforming high schools who do not offer the range of advanced courses that help some students on the SATs and to otherwise gain admission. The new plan allows those students down to 12.5% of the top graduates of a class to gain admission where they complete two years at a community college with a GPA in excess of 2.4.

However, the proposal has a critical caveat—admission for those students would still require acceptance by a particular UC campus under its own criteria. It is unlikely that a 2.4 or 2.7 GPA community college student would qualify. The new program is widely supported by advocates for children and for the poor because it would open another route into the UC system, even if it is not as assured as advertised. It would also provide built-in remediation to prepare students often not ready for college level studies. Its accessibility is necessarily tied to the overall capacity of the UC system, as discussed above. A full assurance of admission to the group address would require more than the 18,000 new enrollment slots scheduled for the current and proposed year, given likely demand, and population increases among 18-year-olds.

The number of high school graduates is projected to rise more in California over the next decade than any other state in the nation. By 2010 the state is predicted to have 366,000 high school graduates, and its youth population is predicted to grow more than 20% over the next decade. Hence, the Governor's announcement that the proposed budget will open up more higher education slots is important, but must be repeated every year over the next five to accomplish the increase necessary to allow a higher percentage of youth to have access to higher education.

The raw number increases reflected in Table 7-G only bring the percentage of 18-year-olds with public higher education opportunity to the levels of 1990. The state is moving toward more year round programs, as discussed below, and has scheduled the opening of a new UC campus at Merced for the Fall of 2004. But countervailing these measures are two factors: (1) as noted above, the population of 14- to 18-year-olds represents a "bulge" that is larger than the overall adjuster used in Table 7-G above; adjusting forward for actual 18-year-old population would place the proposed 2002–03 higher education slots below the number/youth available in 1990; and (2) the changing international economy requires that a much higher percentage of youth receive advanced education for productive future employment.

The volume of applications for the 2002–03 school year reflects the beginning of the "Tidal Wave II" bulge in youth population from the baby boomer generation's children. More than 30,000 additional applications beyond previous years arrived in 2002 to the UC system. UCLA reported almost 45,000 freshman application, with substantial increases reported at UC Berkeley, UC Davis and UC San Diego in particular. Only about 25%–30% of those applying will be admitted. Fewer than one in ten who apply will enroll. The same pressure is now evident at the CSU system. San Diego State, for example, reported in May 2002 an increase in applications of 12% and a decrease in those admitted of 11%.⁴¹

Costs are increasing—primarily for the alternative of private higher education and public school in other states. Between 1981–96, tuition at four-year public colleges and universities nationally increased by 234%, about three times the increase in median household income.⁴² Tuition and fees for private schools have also increased with tuition and fees alone for California's fifteen major colleges and universities averaging \$20,942 in 2002 (see Table 7-H).

	Tuition
Fifteen Private California Universities (Avg)	\$20,942
University of California (UC) (Avg)	\$3,859
California State University (Avg)	\$1,876
California Community College (Avg)	\$330

TABLE 7-H. Average Annual Resident Tuition and Fees, 2002⁴³

With living expenses, total costs for a private college can total over \$35,000, placing it out of reach for most California children absent substantial scholarship/loan assistance. Tuition and costs for in-state students for California’s still impressive higher education establishment has increased—but remains relatively low, at about half the national average. Community college education is particularly accessible at one-fifth the national average. However, those students unable to live with their parents without charge face the state’s rising rents and other costs, particularly in the urban areas where universities and colleges are concentrated.

Tax changes enacted in 1997–2001 help the parents of upper and middle class children, but do not give refundable credits for tuition. They rather provide tax deductions or tax-free Individual Retirement Account moneys for college tuition. These tax subsidies are unavailable to the parents of over one-third of the state’s children—those who live below or near the federal poverty line and make insufficient income for tax offset benefit.

Most important, tax benefits, scholarships and loans (see discussion below) will not resolve higher education needs for future employment without substantial capacity increase above population gain. The bulge in population predicted is not theoretical, but is evident in applications throughout the system in 2001. The CSU Chancellor announced in September 2001 that “Title Wave II” of new higher education demand from population growth has arrived. He predicted a 4% further growth in 2002 and 4.5% in 2003–04. Although all three parts of the higher education establishment have increased enrollment, it has not risen sufficiently to increase the percentage of youth receiving higher education. Moreover, to the extent it is accommodated within existing capacity (new faculty, facilities), it results in large classes, less individual attention, and reduced teaching efficacy.⁴⁴

II. MAJOR PROGRAMS AND BUDGETS

A. K–12 Public Education

As Figure 7-I represents, the largest contributor to K–12 public education is the state general fund. Property taxes are capped and for the past six years have increased at below inflation and population gain. Federal contributions are less significant for this account than for most other child-related spending, amounting to only 8–9% of total spending and focusing on two categorical programs: nutrition and compensatory education. The final and most marginal contributor is lottery revenues, with a downward trend in contributive amount.⁴⁵

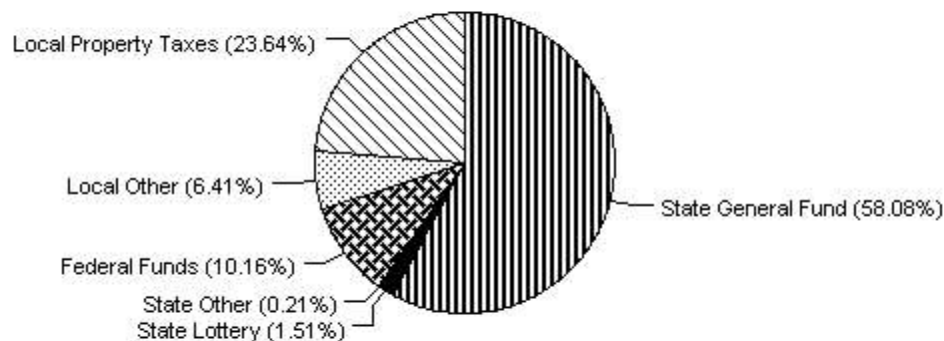


FIGURE 7-I. 2002–03 Sources of Revenue for K–12 Education in California (Proposed)

The general purpose funding presented in Table 7-I below is essentially provided through a “revenue limit” system. Each of California’s 1,100 school districts is funded based on its average daily attendance (ADA). The two major contributors to this fund is the general fund and local property taxes for schools (which go to the state for redistribution).

The state funds each district to bring it up to its respective “limit.” In this manner, districts in poor areas are theoretically assured of relatively equal funding in compliance with the equal protection guarantees of the federal and state constitutions.⁴⁶ However, note that substantial differences remain between schools, with highly qualified teachers gravitating toward suburban schools, and with continuing physical plant, course offerings, and expectation differences substantial between high minority schools in urban centers and agricultural rural areas (see discussion below).

The amounts in Table 7-I are expended for regular classroom costs and instruction, and also for specific categorical-defined programs. Most categorical programs are included in what was termed a “Mega-Item” account during the 1990s—a revised format to allow school districts some flexibility in adding or subtracting from the categorical accounts within it.

The state's general fund is the most critical source of education spending—particularly given the ceiling placed on property taxation for longstanding homeowners whose assessed valuations for tax purposes are frozen at 1977 levels with a minimal increase. Polls have consistently indicated strong public support for higher education spending—particularly following the marked disinvestment of California in public education over the past two decades. The electorate reflected that priority through the enactment of Proposition 98 in 1988, which allocates under a complicated formula a minimum proportion of general fund revenues to K–14 public education (K–12th grade, and two-year community college programs). Because property taxes go to the state for redistribution, they are also included in the Proposition 98 minimum floor.

1. Proposition 98 Accounting and *CTA v. Gould*

Proposed 2002–03 spending is related to the Proposition 98 formula for K–12 public education funding. As discussed above, this 1988 initiative requires a percentage of general fund revenue (including local property tax revenues) to be allocated to K–14 education under a complicated formula. Former Governor Wilson and other public officials had interpreted this minimum commitment as a maximum obligation. Because the required percentage is based on general fund tax collections which have not yet occurred, the minimum amount required is estimated in advance. An estimate which is short must be made up during the year of shortfall, or the year following. Public officials have contended that where an advance estimate of required funding is *higher* than the required Proposition 98 amount (usually because they overestimated state revenues), at the end of the year they can bank the “extra” spent, and use it for other things by *under*-paying education *below* Proposition 98 requirements in future years. The *minimum* has thus become a functional *maximum*. The state accomplishes this accounting anomaly by terming these “over-appropriations” as “loans” borrowed by education and which then must be paid back.⁴⁷

The California Teachers Association (CTA) challenged these loans and, in April 1994, a Sacramento superior court ruled in favor of CTA—finding the loans unconstitutional. The suit sought the addition of \$1 billion to the Proposition 98 base, and the withdrawal of another \$1.8 billion in alleged “advances” from education to the general fund (to cover possible future overestimates of the Proposition 98 minimum) withdrawn. The decision was on appeal when both parties reached a settlement on April 10, 1996, which was then endorsed by the Office of Legislative Analyst and approved by the Legislature.⁴⁸ The major elements of the settlement were: (1) the required repayment of \$1.8 billion in outstanding Proposition 98 “loans” over an eight-year period, but with only \$935 million of that amount to be paid from the state general fund; and (2) a long-run increase of Proposition 98 expenditures of \$500 million.

The compromise prohibits future use of the “loan” artifice, but allows public officials to escape with the repayment of about one-half of the amount taken away from education accounts through such “loans.” The apparent result of the decision has been the conservative advance estimate of what Proposition 98 will require,⁴⁹ knowing that a shortfall can be added, but an overage may no longer be retrievable. As a practical matter, and notwithstanding the important holding of *CTA v. Gould*, the approximately 41% of general fund monies allocated for K–14 education has been treated as a ceiling more than a floor.

2. Overall K–12 Spending

California spending per pupil has historically been high. During the 1960s and 1970s, the state was near the top in national per student spending, and its system of public education was a point of state pride. It began to decline in the late 1970s and early 1980s, sinking to 26th of the states by 1983; by 1989, the state's relative investment had declined to the bottom ten in national per pupil spending—exceeding only West Virginia and several of the southern states.

Popular concern over declining public education, reflected in issue polls through the 1990s, led to the account's use in 1991–93 to cover overall spending reductions. During the 1980s, the state devolved \$3 billion in property tax revenues due it back to counties and cities to compensate them for Proposition 13 caused shortfalls. Starting in 1991, and during the economic downturn affecting public revenues generally, the state demanded its return. That return took the form of a redirection of local property taxes away from local government, allegedly “to local schools”—a shift of one-third of the total property tax revenue relied upon by cities and counties. This shift occurred while former Governor Wilson was initiating a “realignment” of responsibility for social services to the counties as well. Accordingly, the Table 7-1 property tax contribution to schools in 1991–92 was \$5.3 billion, increasing to \$6.5 billion in 1992–93 and then to \$8.2 billion in 1993–94 (years skipped in the Table), leveling at \$8.57 billion in 1994–95. This \$3 billion increase appeared to be the regrettable but necessary price to be paid for education investment.⁵⁰ However, although going facially to school districts, this amount was accompanied by a reduction in state general fund commitment to schools of a similar \$3 billion over the same period. The state “supplanted” local property taxes, adding them to schools, but reducing general fund education spending by the same amount, and expending the \$3 billion to prevent tax increases, and to accommodate tax cuts for business and other taxpayers.⁵¹

For each of the past ten years, two governors and legislatures have issued press releases sensitive to perceived public support for education spending. Since 1989, those releases have announced raw number increases; however inflation and enrollment increased more than did raw number spending in many years. Or, minor real spending increases were announced as if signaling a major shift in public priorities. Notwithstanding creative new initiatives and some new spending, the scale of those increases has not rectified the gradual reductions and increased demands accruing from the 1970s to the 1990s.

Table 7-1 indicates that adjusted spending increased last year and will decrease slightly as proposed for 2002–03. After the May Revise, however, these numbers have shifted in order to allow the Governor to meet the Proposition 98 minimum under its “Test 2” which he used in the current and proposed years to calculate the minimum obligation. His January 2002 budget (Table 7-1 above) would not meet the Proposition 98 minimum because it relied on a projection of personal income decline of 3% and according to the official U.S. Department of Commerce calculation amounted to 1.27%, requiring (with other factors in Test 2) an increase over the proposed budget of at least \$1.184 billion. The Governor therefore added \$848 million to the general fund 2002–03 number in Table 7-1, and projected a \$335 million in local property taxes allocated to education and he created an “Education Revenue Augmentation Fund” of \$115 million for multi-county school districts. Under the Governor's May Revise formula, Proposition 98 required spending per pupil was at \$6,311 in 1999–00, rose to \$6,685 in 2000–01, was cut to \$6,618 in the current year budget, and will increase to \$7,186 as proposed in 2002–03. Hence, the current year per pupil spending will drop substantially while the proposed spending per student will increase.

The Governor's May Revise change simply moves a large sum from the present year to the proposed year. This allows the claim of a major increase in the proposed year, although the growth is from artificially lowered current year spending. The movement is motivated by the need to transfer sums above the Proposition 98 required minimum for the current year into the proposed 2002–03 year to meet the minimum constitutional level for next year. That movement is substantially accomplished by delaying the payment of \$1.5 billion in bills due during the current year into the new proposed year. The current year budget is moved down \$1.9 billion and \$848 million is added to 2002–03.⁵² Overall spending as revised in May 2002 is reduced \$1.1 billion. Child advocates raise the following points:

California Children's Budget 2002–03

1. Local property tax contribution will not increase from the \$12.5 billion of 2000–01 to \$13.6 billion in the current year, to \$14.96 billion in proposed 2002–03 as the Governor has calculated—not without substantial sacrifice from other accounts funded from local taxation.

2. The Governor's approach contrasts markedly from his press releases for the 2001–02 budget, which advertised his education investment as substantially above Proposition 98 minimums. His May Revise 2002 subtracts current year spending to below last year (2000–01) levels per pupil—the first actual per pupil spending decline in the last twenty years. He makes up for some of it with the paper shift to 2002–03, but at levels that will reduce California per pupil spending to again among the nation's bottom ten.

3. The Governor's approach treats the Proposition 98 guarantee not as a floor as intended by the electorate, but as a ceiling, with any extra spending in one year carried over to other years to assure very little spending beyond the formula's requirement. This loan or other shifting between years was rejected in *CTA v. Gould* discussed above, and is here accomplished through spending delays and accounting tactics.

4. The proposed budget also uses much of the Proposition 98 funding to supplant previous general fund contributions to child related accounts in areas such as CalWORKs education, child care, *et al*, as discussed in Chapters 2, 4, 5 and 6. These transfers effectively reduce monies previously available for basic instructional costs.

The complex machinations of the May Revise 2002 are based on a pervasive premise: no significant new revenues will be allocated in the proposed year. Actual spending is not increased to \$7,186 per pupil as claimed by the Governor, an alleged "8.6% increase" as the Governor's May Revise boasts, from a revised and artificial \$6,618 in the current year.⁵³ Note that the Governor concedes that 2000–01 spending was \$6,685 per pupil. None of these figures are adjusted for inflation. In fact, spending for 2002–03 will be closer to the numbers indicated in Table 7-I, at a static \$6,900 per pupil both in the current and proposed years, excluding the substantial hidden reductions as the funds in this account are actually allocated over to other accounts unrelated to K–12 basic instruction.

	Budget Year					Estimated 2001-02	Proposed 2002-03	Percent Change	
	1989-90	1997-98	1998-99	1999-2000	2000-01			'89-'01	Proposed
General Fund	\$13,982	\$20,354	\$22,324	\$25,517	\$27,558	\$29,237	\$29,277	109.1%	0.1%
Property Taxes	\$4,521	\$9,139	\$9,461	\$10,100	\$10,815	\$11,708	\$12,604	159.0%	7.7%
Lottery	\$788	\$582	\$674	\$770	\$744	\$813	\$813	3.2%	0.0%
Federal funds	\$1,449	\$3,215	\$3,468	\$4,115	\$4,459	\$5,260	\$5,198	263.0%	-1.2%
Other	\$246	\$91	\$155	\$463	\$66	\$166	\$144	-32.5%	-13.3%
Total	\$20,986	\$33,381	\$36,082	\$40,965	\$43,642	\$47,184	\$48,036	124.8%	1.8%
Adjusted Total	\$35,852	\$38,296	\$39,887	\$43,942	\$45,010	\$47,184	\$46,595	31.6%	-1.2%
Prop. 98 K–14 Funding	\$20,004	\$29,075	\$35,618	\$39,527	\$42,923	\$45,000	\$46,000	125.0%	2.2%
Prop 98 K–12 Spending Per Pupil	\$4,285	\$5,466	\$5,756	\$6,311	\$6,681	\$6,922	\$7,058	61.5%	2.0%
Adjusted Prop 98 K-12 spending per pupil*	\$5,687	\$5,847	\$6,054	\$6,560	\$6,788	\$6,922	\$6,920	21.7%	-0.03%

Dollar amounts are in \$1,000,000 except where per pupil. Sources: Governor's Budgets.

Adjusted to K–12 enrollment and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

*Adjusted to deflator only (2001–02=1.00).

TABLE 7-I. Department of Education

During the last years of the Wilson Administration and the first year of the Davis Administration, California moved above the bottom five in the nation in spending per child—to 41st in 1998 and then up to 37th in 1999–2000 according to the National Center for Education Statistics. One measure of state spending (the Bureau of the Census) placed California in 1999 as high as 29th. However, its actual

current year and proposed level of approximately \$6,900 (however divided between the two years) will move the state back into the bottom third. In contrast, major states such as New York and New Jersey spend over \$10,000 per pupil. If the new spending diversion to previous non-education accounts are subtracted, the state will return to the bottom ten states in real spending per ADA.

3. Class Size Reduction

a. Implementation to Date

The 1996 class size reduction initiative of former Governor Wilson consisted primarily of funds which Proposition 98 required to be expended, particularly given the implications of *CTA v. Gould*, discussed above. This important program, included within the 1996–97 Budget Act, was intended to reduce average class size from 28.5 students to 20 for kindergarten through third grade. The method chosen was a per pupil “reward” system for school districts complying with the class size reduction to the 20 students-per-teacher target. Implementation began with grade one, followed by grade two, and then either kindergarten or grade three. Schools may not move to the next grade until all students at one level are in 20-student classrooms.

The funding initially came as \$650 for each student in a class of not more than 20 for a full day, or—under a second option—\$325 for each student in such a class for a half day. Initial funding of \$770 million was available only until February 16, 1997. School districts could apply for facility grants of up to \$25,000 per new classroom from a \$200 million set-aside for that purpose (on a one-time basis). The system provided \$39,000 in additional operational funding for each new teacher who must be hired (who cost an average salary of \$40,000—about \$51,600 including benefits), and initially did not leave revenue for new teacher training, new classroom maintenance, or associated expansion costs, which must come from a school district’s operating budget.

In a testament to the power of subsidy and the widespread recognition of the program’s merit, 95% of the school districts of the state elected to participate. A survey by the Legislative Analyst’s Office revealed that 85% began reducing class sizes by the beginning of the 1996 school year,⁵⁴ and 95% of the eligible districts met the February 1997 deadline to receive the offered subsidy.⁵⁵ Districts claimed \$629 million, or 82% of the funds offered.

By spring 1997, 52% of the state’s K–3 students were in smaller classes as a result of the initiative—92% of California’s first-graders, and 74% of second-graders. The K–3 average class size declined to 23.5 by 1997–98 according to the Legislative Analyst.⁵⁶

By 2000–01 the reduction program was essentially complete, with 98.8% of the states first graders, 97% of the second graders, 95% of third graders, and 95.8% of kindergarten children in the smaller classes.⁵⁷ The reduction in class size has brought some increases in public education attendance, as private schools have found small classes stiffer competition. But implementation of smaller class sizes has caused three more serious problems which continue—all of them exacerbated by the lack of advance warning and tight deadlines imposed to qualify. First, finding the number of needed and well qualified teachers on such a quick basis has been and remains difficult. One survey revealed that only 14% of the new teachers had more than five years of teaching experience, and 23% had taught for one to five years; the remaining 63% were entry-level teachers, including a large number of non-credentialed teachers operating by emergency permit.⁵⁸ Overall applications to the Commission on Teacher Credentialing rose 27% in 1996–97 and a further 18% increase in 1997–98. In 1997–98, 10,000 new teachers were hired.⁵⁹

The budget for 1998–99 included six new funding initiatives to address the teacher shortage/quality problem: (1) \$63.6 million for Beginning Teacher Support and Assessment for 20,000 new teachers; (2) \$40 million for teacher training in math instruction; (3) \$30.9 million to train teachers in grades four through twelve in remedial reading instruction; (4) a \$6.5 million new “Reading Initiative” to provide phonics-based training for new K–3 teachers; (5) \$8 million to expand the “pre-intern” program by 4,000, for a total of 5,000 new pre-interns in 1998–99 (to provide support to teachers who are working with an

emergency permit); and (6) \$11 million to expand the Alternative Certification program to provide support for interns seeking credentialed status while teaching in the classroom.⁶⁰

Related to these proposals, surveys undertaken of the principals of elementary, middle, and high schools rate as the number one area of needed reform “improving the quality of teachers.”⁶¹ The most recent survey indicated that at least credential levels have improved, with 85% of K–3 teachers credentialed by 2000–01. However, the distribution remains a problem, with 96% of teachers serving higher income families credentialed, and the percentage serving lower income communities at 79%.⁶²

The second problem is lack of classroom and other physical plant. About one-half of the new classes were being held in portable classrooms as of the start of 1999, while substantial numbers of classrooms are divided or shared—not an optimum solution.⁶³ This problem was exacerbated by the fact that even portable classrooms cost \$35,000–\$50,000 to purchase and install, and the maximum classroom grant was \$25,000.⁶⁴

The 1998–99 budget adjusted incentives to give \$666 per pupil for full-day programs at 20 students per teacher, and included money to provide 20-student maximum classes for *all* K–3 students. The incentive amount increased to \$818 per pupil in classes at or below 20 students for a full day.⁶⁵ The new classes were in place by the start of the 1998–99 school year. Unspent program money may be used on facilities relevant to classroom reduction.

The third problem is the impact of the “bright line” and absolute requirement of not a single student more than 20 in a class. The entire subsidy is lost for all students in a class if there are 21 students in it. Similarly, all students in first and then second grade must be placed in smaller classes first, before reaching third grade of kindergarten—whatever the local situation or needs. The result of this inflexibility has been the involuntary transfer of newly added students to another school to avoid transgressing the 20-student mark, disruptive transfers within schools, and other problems typical of bureaucratic irrationality.⁶⁶ Amelioration is possible with a more refined reward system allowing school-wide overages of several students in classes so long as no class has over 22, and the school’s average is below 20 for the classes and grades claimed for reward as a whole. A more desirable refinement would vary the reward slightly up to provide an extra incentive to go to 18 students, creating a lower target, with 20 remaining as a maximum, affording some built-in flexibility. Efforts by legislators to make the necessary adjustments (e.g., AB 1888 (Daucher) have faced CTA opposition and lack of administration support.

b. Small Class Size Efficacy Evidence

The legislation authorizing smaller class sizes also requires an evaluation of their efficacy by an independent evaluator, due on March 28, 2002. Thus far, no money has been appropriated for the study. However, initial surveys (as well as education literature) support continuation and expansion of small class sizes. An evaluation of 7,200 first-, second-, and third-graders in the Poway Unified School District in San Diego County—including test results and surveys of teachers, students, and parents—indicated strong and uniform positive results.⁶⁷ Other studies under way at Rowland Unified in Los Angeles County indicate positive initial results. And plans for an intense examination of results are under way at San Juan Unified in Sacramento County. The state Department of Education has issued guidelines to districts outlining what information they should gather in evaluating class size reduction impacts. The initial indicators are not as important as the longer-range performance results which some of the districts may collect, but which is best provided by independent experts using control group methodology—as authorized by the reduced class size legislation but still awaiting funding.⁶⁸

Perhaps the most compelling evidence of class size impact is provided by a class size breakdown of the reading and writing Stanford 9 test results in 1998. According to data released by independent education experts, 41% of those second graders who were in the new smaller classes scored above the national average in reading. Among those in larger classes, 35% did so. In math, 44% of the second-graders in the smaller classes scored at or above the national average, as opposed to 36% in larger classes. These percentage differences, across the large number of students involved with other

variables largely comparable between the groups, suggest a momentous difference.⁶⁹

Most convincing have been the results from the Stanford 9 test results in 1999. Improvement from 1998 scores correlated compellingly with reduced size classes. The second and third graders not only improved, but improved substantially more than did any other grade level. These 427,720 second graders and 451,708 third graders have had two years in the small classes and were in those classes when tested.

The LEP population did not decline and remained at the highest level of all grades. The difference can be attributed to no other system-wide change. One study noted: “students in 2nd and 3rd grades—most of them in smaller classes because of the class size reduction program—had the largest gains, an average of 5 percentage points. Their highest gains were in math (6 to 8 percentage points).”⁷⁰ The grade with the next most improved scores was the 4th grade results, involving students not in reduced size classes, but who had one to two years in those classes.

In June 2000, the CSR Research Consortium (including Rand, EdSource, PACE, and West Ed) released its first report on the effect of California’s class size reduction, testing third graders. The study found improvement in all four areas tested: reading, mathematics, language, and spelling in the smaller classes *vis-a-vis* control group comparison. The authors of the report characterized the gains as “small improvement” because they involved from 1.4% to 3.6% more students finishing above the national 50th percentile in the four above-listed subject areas.⁷¹ However, the study used 1998–99 data, relying on only the first three years of class size reduction results, with the first two years evidencing certain disruptions because of the sudden nature of the program’s implementation and a lack of facilities and teachers. The Study found that curriculum did not change, but that students were given measurably more individual attention. And it found that “students were less disruptive” in the smaller classes.

Given the circumstances, the gains reported are remarkable. Adding 3.6% of the student population rising above the national median in mathematics for example, after only two real years of operating smaller classes is a gain typical of similar small-class research in Tennessee and other states. Most important, if such a gain occurs in one year, further education in smaller classes may be expected to add cumulatively. Indeed, one of the findings of the study was that the third grade gains carried over into improved performance of children in their next year 4th grade classes (which have not themselves enjoyed size reduction). If that population at a 3% gain were to be then given a similar boost in 4th grade, and then 5th and 6th, the magnitude of projected gains are momentous.

The study did identify some of the problems discussed below, primarily the decline in quality teacher supply, particularly in the low performing schools.⁷² But the data suggest what child advocates have long been contending: that investment in class size reduction, coupled with teacher supply and quality, will translate into significantly elevated student performance.

In February 2002, the Class Size Reduction Research Consortium released its Summary of Findings from 1999–00 and 2000–01. The consortium researchers, including RAND, PACE, EdSource and AIR think tanks concluded:

- ◆ CSR Implementation is essentially complete for grades K–3 with close to universal implementation;
- ◆ The decline in elementary teacher qualifications has “leveled off” but remains substantial;
- ◆ Students in Reduced Size Classes received more individual instruction;
- ◆ Achievement scores improved, but long term effect remains uncertain.⁷³

A close analysis of Consortium findings suggest that it understates the positive results of the smaller class sizes in grades K–3. The finding that CSR does not correlate with enhanced scores is based on a linear analysis of CSR exposure to SAT 9 Reading scores. If adjusting for the higher LEP population in the lower grades, the teacher quality decline (now leveling), and for the inexperience of new teachers also likely to dissipate over time, a more positive conclusion is likely. The Report acknowledges the importance of some of these variables in its description of the Tennessee experiment involving 10,000

students and which demonstrated enormous academic achievement gains for students across the board, and particularly for minority and low income students. The Tennessee class size reduction program used equally qualified teachers for the smaller classes, and a reduction not to 20 students, but to 13–17. Although somewhat less ethnically diverse and lacking the high LEP population, the scale of the improvement for this substantial sample warrants its more faithful testing in California, and its large scale roll-out if results are close to comparable.

A broader review of all of the tests over the past three years suggests that students in K–3 classes appear to be performing substantially better than one would predict—particularly given their progressively higher LEP and impoverished traits over older grade levels (see tables arrayed above). The most serious collapse of California test scores now occurs at the end of middle school and through the high school years—where class size approaches record high levels.

c. Class Size Reduction in 2000–01, 2001–02, and Proposed 2002–03 Budgets

In his 1999 May Revision, Governor Davis allocated \$129 million in new federal money now available for class size reduction purposes. The federal funds were directed at grades 1–3. However, if a state has already achieved 20-student classes in those grades, the money may be expended on reduction of class size for other grades, and for teacher training. California schools qualify for this allocation for class size reduction in other grades. Governor Davis has not proposed priority imposition, instead “urg[ing] schools to reduce class sizes for grade 10 students,”⁷⁴ allowing each to select their own priorities. Child advocates fear that a substantial portion of these funds will be diverted to non-productive “teacher training.”

The year 2000–01 budget also increased 9th grade class size reduction to about \$90 million. These two limited high school class reduction efforts will focus on core courses, particularly English. A full single grade classroom reduction effort costs about \$600 million.

California's share of the federal appropriation for class size reduction increased from \$140 million in 2000 to \$174.7 million in 2001. However, the class size reduction specification was then terminated in 2002, and the sum was “rolled into” a more general category called “State Grants for Improving Teacher Quality”—including a wide array of continuing education, certification, and training programs. This amount was sent at \$333.5 million as California's share. The state budget set \$167 million for class size reduction (9th grade) in fiscal 2000–01, and decreased it to \$135.2 million for the current 2001–02 year, to be maintained at that level for 2002–03. The sum committed will allow class size reduction for from one to two classes at the Ninth grade level.

Class size reduction has not been a priority for the Davis Administration. First, political pressure from organized teachers tends to focus on higher salary and program benefits for their membership. California teacher salaries are now the third highest in the nation. And the Governor's new teacher development programs have received substantial funding, as discussed below. This and additional federal funding in education is gravitating in these directions. Accordingly, as noted above, California has now fallen back into 50th or last place nationally in teacher-student ratio and is in danger of falling much further behind other states.

While teacher salaries, particularly given the state's higher costs, are not excessive, and teacher development warrants substantial investment, the lack of priority for class room size reduction has serious long term consequences. The Davis Administration has eschewed “adding to the base” expenditures which commit the state to future spending, but child advocates argue that this is a basic societal commitment to the next generation, and that California—as one of the wealthiest states in the nation—can afford class sizes as small or smaller than the national average. The issue is underlined by the low test scores in grades 9, 10, and 11 discussed above, and suggesting major class size reduction investment (in addition to teacher quality improvement) for grades 7 through 11. In addition, the difference between the Tennessee experiment for K–3 classes at 14 to 17 students per class and the California test performance at 20 students (discussed above) commends additional class size reduction down to those levels at K–3 in a substantial sample, and a full roll-out if results so warrant—as

the striking Tennessee outcome suggests.

Class size reduction is optimally financed in stages. Child advocates argue that moving to the national average or better will require \$2 billion a year added in each of the next four years for that designated purpose, and that full implementation will take three to four years in order to generate additional teachers and facilities. The failure to begin such an effort in 1999, 2000, 2001, and now 2002 pushes back its full implementation until current high school students have graduated.

4. Extended School Day/ Kindergarten Required with New Dates

The 1998–99 budget included \$455 million to extend the school year to a full 180 days of student instruction—accomplished by eliminating the eight “staff development” days now allow teachers and pay them \$250 per day each.⁷⁵ The Governor proposed a further extension to 200 days for middle school students, but funding for such an extension for all students is lacking.

During the 1990s, the legislature established standards for K–12 education, but left kindergarten attendance as “voluntary.” Between 91%–95% of the state’s eligible children participate. As many as 50,000 children skip kindergarten. Research indicates the advantages of school preparation, and kindergarten is no longer dominated by fingerpainting, or socialization skills but includes mastery of letters and the sounds they make, and even rudimentary reading. They generally learn to count to 100 and undertake many of the lessons traditionally taught in first grade.

During 2000 the legislature enacted AB 25 (Mazzoni) which created a ten year old pilot project to change the cut-off for new kindergarteners from the current December 2 back to September 1, letting children in when they are 3 months older. Districts and schools opting for the new program will also offer an associated “kindergarten readiness program.” Funding began in 2001–02. The legislature was expected to enact AB 634 (Wesson) in 2001 to require kindergarten, and to schedule it for all children who turn 5 on or before December 2 of the school year, but failed to do so in the wake of the 2001–02 budget crisis.

5. Special Policy Related Spending Issues

a. Bilingual Education

Under Proposition 227, approved by California voters in June 1998, limited English proficiency (LEP) students will be placed in one-year sheltered “English Immersion” classes and then mainstreamed into regular classes—with waivers allowed under some circumstances. Students above the age of ten could receive lessons in a language other than English if a parental request is granted and all parties to the child’s education agree that a bilingual program would best serve him/her. Previous bilingual education funds were transferred over to the immersion program. An additional \$50 million is appropriated each year over the next ten years to provide tutors for LEP students to accelerate their English skills. Sponsor Ron Unz, joined by Jaime Escalante and others, contended that bilingual education delays English acquisition by students, lasts too long, is ineffective, and is supported by an educational establishment resistant to change. Opponents argued that students vary, that a disabled child with Hmong as a first language may not be able to pick up enough English in one year to profit from substantive courses over the following two years—putting him or her several years behind. They contend that the bright line tests of Proposition 227 are too unrefined for the variation in students; some may succeed in one year but others should take two or three. Proponents respond that many students are in bilingual education for four or more years without making an effort to develop English skills; that bilingual education is not commonly available for the more difficult Asian languages; and that the waivers in the initiative allow for sufficient exceptions.

The waiver issue became heated in 2002 as the State Department of Education considered whether a parent must affirmatively seek such a waiver annually, and what the school’s notice to the parent of the right to waive immersion must include. The law requires an initial 30 days of immersion to verify that a waiver into bilingual instruction is appropriate, and to inform the parent’s decision about whether to

seek bilingual instruction. Statewide enrollment in bilingual education fell to 167,163 students in 2001 from among the state's 1.5 million English learners.

In November 2001, important parts of the initiative were upheld in *CTA v. State Board of Education* 271 F.3d 1141 (9th Cir. 2001). The petitioners challenged the provisions allowing aggrieved parents to sue and hold personally liable any teacher or administrator "who willfully and repeatedly refuses to implement the terms of the statute" as unconstitutionally vague. The Ninth Circuit held that these strict enforcement provisions were sufficiently clear to pass constitutional muster.

Proposition 227's implementation is important given the 25% share of the state's public school student body categorized as LEP. But the impact may not be as overwhelming as proponents and opponents of Proposition 227 have argued. Most of the new "English language learners" are in the early grades, as indicated above. More than three-fourths of these students speak Spanish as their first language. Importantly, fewer than one-third of LEP students have instruction in their native language, and one-fifth have some supplementary native language support.⁷⁶ The immersion approach of Proposition 227 does not preclude some extra language help for English learners being mainstreamed.

Most parties contending over bilingual education policy agree that proficiency in English is a major goal. And all agree that previous bilingual education in the state has not been guided by any single model. Rather, many and varied strategies have been used historically—from full immersion, to sheltered immersion, to primary language instruction, to phased immersion, to English instruction with primary language support. Most child advocates argue that given the ability to test English reading and writing ability, it should be possible to test extensively and determine which student profile learns most effectively and quickly—with least collateral harm to learning in other subjects—by which method. It is likely that there will be differences between groups of students based on age, aptitude, language, family English use, and other factors. All are measurable. New rules adopted in 2001 require the monitoring of English learners, but it is unclear whether data will be gathered to refine the line between immersion and bilingual education.⁷⁷

When students are identified as "fluent," they lose extra support and bilingual class access. The first test of the large group of "English learners" was conducted in 2001 of 1.6 million California English learners (the California English Language Development Test). It indicated that 24% are fluent, a much larger group than the 9% which is reclassified as no longer needing special support each year. The results also indicated that those in the English immersion students performed somewhat better than those in bilingual programs. However, the new method of selecting bilingual qualification (parental request for waiver of immersion) may select into bilingual program students with particular English difficulty and explaining the better test results for immersion children. If the immersion superiority is verified by control-group analysis, then the premise of Proposition 227 would be largely vindicated. That affirmation, however, should not preclude bilingual programs for particular groups for whom such results do not apply. For example, older students, no English speaking at home, those with a language much disparate from English—may benefit from a two or three year bilingual transition while they learn English. Further refinement of test results should allow such differentiation.

b. Charter Schools

The enactment of legislation in 1992 authorized a charter school program.⁷⁸ The concept is part of a general movement to challenge lack of parental and teacher choice in educational methods and philosophy. One tributary of that movement has been advocacy of voucher-financed education—a system where parents are given "vouchers" for each child roughly equivalent to the per capita marginal cost of educating each child, and allowed to choose a school. Some plans would allow voucher use to finance private or even parochial education by parental choice. Those advocating the concept point to the benefits of competition. A longstanding monopoly without competitive challenge is not moved to improve as rapidly as would a school dependent upon attracting parental selection to remain economically viable. However, voucher proposals thus far have been rejected by the Legislature and electorate, based on several concerns, e.g., public financing of religion (some models allow voucher use for parochial school) and—more broadly—the "skimming the cream" problem. The latter occurs when

a limited number of institutions take the best students, or those not requiring extra expense, and leave disabled, LEP, and other high-cost students to schools without adequate resources.

The state responded to the voucher challenge by liberalizing the right of students to attend any school within a district—rather than be confined to a single choice based on residence address, and with the charter school concept. The original charter school proposal is intended to be liberally approved; initial proposals are “registered” and must meet specified prerequisites. After charter issuance, critical oversight is provided by the school district in which the charter school functions. Charter grants extend for five years, with five-year renewals—allowing district rejection of experiments which have clearly failed.

The 1992 legislation established a limit of no more than 100 charter schools statewide. The limit was reached in December 1995, and many proposals for additional schools were blocked by the limit. In 1998, the Legislature—partially responding to a proposed voucher ballot initiative being advanced—raised the limit on charter schools up to 250 in 1998–99, and allowed the automatic addition of another 100 such schools each fiscal year thereafter.⁷⁹

The Little Hoover Commission’s 1996 study of charter schools was generally favorable. The variations between charter schools are substantial. While many are not distinguishable from other district schools, others have invested heavily in electronic teaching, or emphasized performing arts or vocational training, while others have embraced Montessori or Waldorf educational theory. Interestingly, several of the state’s largest charter schools are comprised primarily of low-income students. In general, charter schools appear to be similar in racial and language profile to the public school enrollment generally—easing fears of “skimming” the easier, more advanced, or less expensive populations to teach.⁸⁰ Over the next five years, student performance testing and its objective evaluation (if budgeted) could guide the decisions over which charter schools should be renewed and which terminated or altered.

In 1999, the Charter School Revolving Loan Fund was increased from \$500,000 to a more substantial \$6 million. The Fund provides up to \$50,000 in “start-up costs” for new charter schools.

Related to the competition theme, the 1998–99 budget included \$58 million for “opportunity scholarships” or vouchers. They would be available to the bottom 5% of performing students (up to 15,000 in number) to choose any public or private school to attend. Critics contend that this proposal is a “foot in the door” to a wider voucher scheme. However, the confinement of vouchers to those at the bottom should remove the chief objection of critics: the danger of a “destructive cross-subsidy” in favor of high achievers and upper class children to the detriment of students who are left in public school and most need public education investment. Meanwhile, philanthropists and foundations are now providing \$1,000-per-year “scholarships” to children in families with income below \$18,000 per year, with a \$700 parental match required, to finance private/parochial school choice—with Los Angeles designated as one of the two initial sites and as many as 100,000 scholarships planned nationally.⁸¹

The Charter School Categorical Block Grant reached \$22.7 million in 2000–01. Reflecting the increase in the number of authorized and functioning charter schools since 1999, the current year spending increased to \$41.4 million and is budgeted a \$49.7 million for 2002–03.

However, a statute enacted in 2001 reduced funding for non-classroom based charter schools by up to 20%.⁸² The reduction was the result of some charter schools engaging either in distance learning (computer instruction), or simply assigning students to engage in “independent study” while pocketing the full allocation of over \$5,000 per pupil. Legislation pending in 2002 would impose stricter testing and other oversight on such independent study delegation, and to limit substantial payment for formula Internet instruction—would require that students reside in the geographic area of the charter school.

c. Social Promotion

Related to the drop-out problem is its amelioration by simply passing students to the next grade

level, and the conferral of graduation diplomas to students who lack in the skills expected. In 1998, AB 1626 (Wayne)⁸³ required all school districts to adopt specified retention and promotion policies, aligned to the STAR exam, to address social promotion. The legislation is part of the Governor's accountability program, described below, and ties into the STAR testing and high school exit examinations designed to measure competence.

The state funds from 7%–10% of the students who are retained and are scheduled for a variety of remedial programs. The legislation consolidates the pre-1999 remedial and core summer school programs, with one overall cap on hours. A unified school district will have an 18% cap of its prior years K–12 enrollment times 120 hours; elementary districts 16% and high school districts 22%. The 2000–01 budget increased compensation rates from \$2.53 per hour to \$3.

Within the capped budget, first priority is for pupils in 2d through 9th grades who are not advanced with their age group, and pupils in 7th through 12th who are not making sufficient progress to pass the high school exit exam. After meeting those needs, a district may use excess funds under its cap for other academic purposes, including courses before school, after school, and on Saturdays. Unfortunately, variations between California's more than 1,000 districts are substantial, and the formula extant allows some schools enough funding while depriving others of sufficient help given their much higher level of need.

Meanwhile, data from Los Angeles schools released on November 30, 2000 indicates that "social promotion" patterns continue. The findings reveal that 66% of last year's second graders and 96% of eighth graders who scored at or below the bottom five percentile of the Stanford 9 Exam were promoted.⁸⁴ Only one percent of eighth graders were retained in grade.

As the test result discussion above indicated, the Legislature has approved required test passage to receive a high school diploma starting in 2004. Those currently in 9th grade will have to take English and math proficiency examinations to graduate, will be able to take it annually, and must pass both to graduate. The voluntary results from the Spring 2001 indicated that only 34% of those taking the test passed both parts, and that was accomplished only by lowering the passing mark from 70% to 60% in English and 55% in math. While some of the subjects tested included subject matter not taught until after the ninth grade, the results are nevertheless alarming, particularly for the minority students tested. Less than a quarter of African-American and Hispanic children passed the math portion.

d. Environmental Hazards on School Grounds

(1) Lead Contamination

In 1998, California's Department of Health Services (DHS) released the results of a four-year survey of lead contamination in elementary schools and child care centers. The survey found that 37% of public elementary schools have deteriorating lead-containing paint significant enough to pose a hazard, and 6% have soil lead levels above the federal action level of 400 parts per billion (ppb). More alarming, 18% have lead levels in drinking water above the federal action level of 15 ppb.⁸⁵ In relation to body weight, children ingest on average two and one-half times the amount of water consumed by an adult.⁸⁶

DHS expressed concern but not alarm over the findings, contending that the federal standards have a "margin of safety." However, child health experts pointed out that lead contamination disproportionately affects children, and can potentially permanently harm developing brains. Most important, they point out the cumulative nature of the lead danger: contamination from any number of sources is not purged, but builds in the system. Hence, "continuing exposure to low levels of lead can result in significant exposure over time."⁸⁷ The DHS survey found lead in all three sources in some schools, and lead from home and other sources may add to the total, thus the "margin of safety" cited by DHS may be illusory.

As discussed at length in Chapter 4, the health evidence of brain consequences after even low levels of exposure over time is growing. "Recent studies of children with low but elevated blood-lead levels strongly link lead with decreased intelligence and impaired neurobehavioral development."⁸⁸ Even low

levels of lead in blood (10 ug/dL) can drop the IQ of young children measurably—and to below normal ranges.⁸⁹ The result “could be a tripling of the number of youngsters who need specialized educational services.”⁹⁰

In January 1999, the General Accounting Office released a substantial report on lead levels, effects, and public agency performance. The Report included California within its sample area. Its findings confirmed the California DHS survey: more than 8% of surveyed children ages one to five who were served by federal health care programs (Medicaid, WIC) had “harmful” lead levels. These levels are substantially higher than “elevated” and correlate with known brain development effects. The incidence of these elevated levels was five times greater among the impoverished population served by the major federal health programs than for the general population. Critically, for WIC children, the prevalence of highly elevated “harmful” lead levels was almost 12%.⁹¹ For two-thirds of the children tested, the GAO test was the only screening they had experienced. Three quarters of children tested from one to five years of age were found to have elevated lead levels.⁹²

The 1998–99 budget responded to the DHS report with \$328,000 to develop voluntary lead-safe school guidelines in public elementary schools, an additional \$647,000 to provide training to school officials in lead-safe practices, and \$1.1 million (added in the May Revision) to test further lead levels in school drinking water.⁹³ That sum gives \$120 to each elementary school and \$230 to each middle and high school to test their respective water supplies and fountains. The sum budgeted for drinking water and lead prevention for 2000–01 is a token sum not sufficient to protect a significant proportion of students currently at risk (see discussion in Chapter 4).

In 1999, the California State Auditor reviewed DHS’ performance in protecting children from lead contamination. The Auditor’s findings are indicated by its title: *Department of Health Services: Has Made Little Progress in Protecting California’s Children from Lead Poisoning*.⁹⁴ The findings include the following:

- ◆ After more than a decade, the Department is not closer to determining the extent of childhood lead poisoning statewide—having only identified about 10% of the estimated 40,000 children needing services.
- ◆ Children are not receiving blood-lead tests from Medi-Cal and CHDP programs as required.
- ◆ Reporting of laboratory test results is insufficient for the Department to identify children requiring medical care.

Child advocates argue that the amounts assigned to prevent and treat child lead poisoning in recent years do not address the extent of the danger or the evidence adduced—particularly given the levels in elementary schools, the cumulative nature of contamination with other sources, and the permanent brain development consequences for young children implicated. As discussed in Chapter 4 above (see Table 4-R), spending for 2001–02 decreased an adjusted 2.2%. A general fund increase of just over \$1 million was intended to “screen approximately 200,000 children, of whom approximately 4,000 children will be detected with severely elevated blood lead levels.”

An additional \$1.7 million was budgeted in current 2001–02 to certify workers to identify and eliminate lead hazards, upgrade the state’s childhood lead exposure database, and expand outreach to at-risk children.⁹⁵ The injury to a single child can translate into more economic damage than the token amount of increase in the current or proposed budget.

In addition to screenings, lead poisoning case management (under EPSDT) and environmental investigation costs can be handled under Medi-Cal, with its 50% FFP.⁹⁶ However, as of 2001, case management was not adequately implemented through Medi-Cal for lead poisoning cases, and was the subject of pending litigation.⁹⁷

This development on the monitoring front end was then followed by another critique of DHS

performance to address high blood levels with treatment at the back end (when high blood levels are discovered). In May of 2001, the California State Auditor followed up her earlier critique of the program (see above) with a follow-up study, acknowledging some progress, but concluding that the Department remains “unsuccessful at meeting [the statute’s] goals.” The Auditor, in uncommon bluntness, concluded: “As a result of the department’s difficulty in meeting its goals, thousand of lead-poisoned children may have been allowed to suffer needlessly. The department itself estimates that approximately 128,000 children between the ages of 1 and 5 have elevated blood-lead levels, with 38,000 having levels that would warrant case management....Yet, as of January 2001, the department reported that it was providing case management to a mere 3,700 children....”⁹⁸ Eight recommendations were made by the State Auditor, including the adoption of “screening rules” making “providers accountable”—a reference to the Public Advocates suit and court order noted above. The other recommendations included: requiring local programs to document provided case management and closer monitoring of local mitigation/treatment; regulations requiring labs to report all blood lead test results; new legislation to grant local jurisdictions lead abatement authority; development of a comprehensive statewide outreach plan, and requests for adequate resources and staff to carry out its important public health staff. Such augmentation has not been provided in the current budget, nor as proposed for 2002–03.

(2) Pesticides and Schools

Related to the lead contamination issue is a similar problem involving pesticide use on school grounds. Pesticide standards are not formulated with children in mind, and the lower body weight and developing bodies of children can make the vulnerable to injury from many contaminants at lower concentrations than would injure an adult. The use of pesticides on school grounds is of special concern; children do not merely visit a school, but commonly spend six hours a day on premises (see discussion of pesticide dangers in Chapter 4). Further, they play aggressively on school grounds. Similarly, children who spend extensive time in school environments warrant protection from egregious indoor pollutants, excessive levels of radon, and other hazards.

Accordingly, child advocates have twice sought modest legislation to provide minimal protection. These measures are not “purist” in nature, but simply call for common-sense monitoring where cause exists to suspect a problem, and corrective action. The one bright line prohibition advocated for many years by child health experts has been a ban on the use of any pesticide on school grounds that is also prohibited in agriculture generally (usually because of the danger it poses for agricultural workers). The attempt to assure this safety level took the form of AB 1207 (Shelley) in 1999. The measure was passed but suffered a gubernatorial veto, explained by the Governor as follows: “My main concern with this bill is the overly prescriptive requirements on the use of pesticides on school sites...creating costly requirements for schools that are not reasonable or optimal approaches to pest management.” The measure was opposed by chemical and agricultural interests.

Child advocates scored a partial success in the enactment of AB 2260 (Shelley) in year 2000.⁹⁹ Although compromised from its initial version, this legislation orders schools to use “least toxic pest management practices” and requires them to keep records of all pesticide use at the school site for a period of four years, provide some notice of expected pesticide use and post warning signs on site prior to application. The practical effect of the enacted measures will assist students with allergy problems, but does not address the underlying evidence of low level—cumulative exposure appropriate for concern given the many hours children spend in school environments.

e. Effect of the PRA

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRA) requires states to deny TANF grants to unmarried teen parents and their children who do not live at home or with an adult relative (unless emancipated, parentless, or abused at home), or who have a child over 12 weeks old, have not graduated from high school, and do not attend school or a state alternative.¹⁰⁰ Under the administration’s pre-existing approach, teen mothers are required to attend school and live in an adult-supervised setting, consistent with the PRA requirement.¹⁰¹ In addition, California’s Department of Social Services (DSS) requires all mothers under the age of eighteen to participate in the Teen Parent Support Program.¹⁰² The program provides teens with child development information, nutritional guidance,

parenting skills, and assistance in developing community and family support systems.¹⁰³ The program provides for planned home visits which DSS claims will have many positive impacts, including increased employment, reduction in subsequent births, reduced doctor visits, and improved family functioning.¹⁰⁴ DSS estimates that 9,179 parents under the age of 18 are participating.¹⁰⁵ The Cal-Learn program provides teens with sanctions for failing to attend school, and extra funds for satisfactory attendance and grades (see Chapter 2 for a discussion of the Cal-Learn account).

The California School Age Families Education Act (CalSAFE) program began in January 1999.¹⁰⁶ This program was funded in current 2001–02 at \$83.2 million and subsidizes childcare services for pregnant and parenting teens (see Chapter 6 above). The funds will also convert existing programs (e.g., School Age Parent and Infant Development [SAPID], and Pregnant and Lactating Students [PALS]) into a coordinated service model program.

Pregnant teens are a surprisingly small part of the state's TANF caseload. The most recent count of California families with children receiving TANF welfare support revealed that only 0.2% are headed by a mother under 18, another 1.3% are 18 years of age and 1.8% are 19 years of age. Contrary to common impression, 96.6% of TANF parents are over 19 years of age, and one quarter of the 3.4% under 20 years old are married.¹⁰⁷ A somewhat larger percentage receiving support may have had their first child as a teen, thus placing themselves in economic jeopardy for later TANF need, particularly where they have additional children. California's count of the "age of mother at birth of oldest child in assistance unit" reveals that a somewhat higher 23.4% of current parent recipients were under 19 when their first children were born, while 58% were over 21 years of age or older.¹⁰⁸ However, although teen pregnancy is much less prevalent than is generally believed, when it occurs, the results are not advantageous for involved children. In particular, between 20%–40% of teen parents do not attend school or have dropped out.¹⁰⁹

The dilemma for public officials has been to find a way to keep pregnant teens and young teen mothers in school, protect their children, but not stimulate selfish decisions to have children before two parents and income can provide resources. The data indicate that the fathers of these children average four years in age older than the young girls they are impregnating—with a majority over the age of 20.¹¹⁰ Accordingly, district attorneys' offices have started to prosecute statutory rape offenses vigorously (see Chapter 2). Relying on this means to deter sex may be difficult given the fact that more than half of all girls and three-fourths of all boys have sexual intercourse before graduation from high school,¹¹¹ and that 40% of girls from 15 to 18 years of age are classified as "sexually active."¹¹² Prosecutors have focused on cases with one or more of the following elements: the victim is under 17 years of age, there is a wide disparity in age, an element of coercion was involved, or a pregnancy resulted.

f. Equality of Opportunity

Historically, California education has offered different educational opportunity based on school location, which in turn has reflected housing patterns varying by income and ethnic background. Most education was financed through property taxes assessed at the school district level, with 1,100 different school districts spread throughout the state. Accordingly, the families in some school districts paid three to five times the property tax rate on their lower valued homes to finance schools at one-half or one-third the per pupil amount richer districts could provide. As discussed above, these disparities and their equal protection constitutional law implications led to the leading *Serrano v. Priest* holding¹¹³ in 1976, and the transformation of school finance. For the last 24 years, financing has been funneled to and from the state, with the state obliged to equalize property tax revenues to afford students rough equality of educational opportunity.

Although the differences between schools extant currently are not as extreme as once was the case, they are significant, and by some measures are growing. Further, the plight of the developing underclass discussed in Chapter 2 may turn on widely available educational quality. Schools where students are predominantly impoverished minorities do not attract the highly qualified teachers widely attracted to suburban schools. They do not attract private contributions allowed to augment school finances.¹¹⁴ Their parents tend to be less involved in the education of their children. Peers may be less

interested in academics, subject to nutritional deficiencies, language barriers, disabilities). The facilities tend to be substandard. The state's minimal infrastructure (librarians, class materials, counselors) does not assuage differences. And the course offerings are often markedly less advantageous. According to a January 2000 report, schools serving low-income African-American and Latino students offer substantially fewer Advanced Placement courses than schools serving white and middle class students, "most pronounced in the college gatekeeper subject areas of math and science."¹⁵ Suburban schools typically offer twelve to twenty AP course offerings, while those with disproportionate minority population often offer fewer than five.

Although California policy allows somewhat more liberal transfer between schools within a district, three barriers inhibit transfers as a check: (1) districts are required to allow transfers only if space exists (which are less likely to be available at high-demand suburban schools); (2) transportation cost or distances may inhibit the ability of impoverished children to reach more distant schools, particularly given court decisions delineating transportation to school as not a part of student educational rights; and (3) with 1,100 school districts, many consist of only one to three schools.

The categorical spending for court-ordered and voluntary desegregation was \$529 million in 2000–01 (see categorical spending table and analysis below). That line item has been merged into the "Targeted Instructional Improvement Block Grant," item set at \$713 million for the current year and proposed at \$736 million in 2002–03. It is unclear what sum, if any, will be expended to assure the racial integration of California schools

On May 17, 2000, the American Civil Liberties Union (ACLU), Public Advocates, Inc., the Mexican American Legal Defense Fund (MALDEF), Asian-Pacific Legal Center, and others filed *Williams v. State of California* in Los Angeles County Superior Court on behalf of 70 named plaintiffs and the class of students attending eighteen schools throughout California. The respected firm of Morrison & Foerster committed *pro bono* legal resources for the suit. Defendants include the Superintendent of Public Instruction, the State Department of Education, and the State Board of Education. It is the second such suit filed within the past two years by the ACLU, and the most substantial such case to be filed since the 1970s in its scope, resources mounted, and evidence gathered.

The lawsuit presents allegations of a statewide pattern of educational deprivation betraying the *Serrano* holding. But unlike *Serrano*, the suit does not focus on equivalency, but on the failure to provide minimum levels of educational opportunity, including inspections and enforcement of existing standards which are allegedly honored in the breach. The suit contends that courses, physical plant, instructional materials, and other educational basics are not provided to minority schools, in violation of the students' constitutional right to an education. The case is buttressed by a May report by UCLA Law Professor Gary Blasi entitled "Who is Accountable to our Children," which documents local failure to provide minimum facilities and services. Examples of detailed allegations include schools which lack textbooks, students unable to take textbooks home, a library being closed for over two months, and unsanitary bathrooms. Broader allegations include the following: 40% of the public schools lack adequate heating, cooling, or ventilation; at least 131 school districts have created 3,400 class spaces out of gymnasiums, libraries, and auditoriums; more than 10% of public school teachers now lack credentials; and in some 100 (minority) schools, more than 50% of the teachers lack minimum credentials.

The suit focuses on the failure to enforce existing standards by the state. The plaintiffs contend that the political solution of "delegating" to the state's 1,100 school districts has taken a blank check format, and the state has abdicated its constitutionally-mandated role to assure a minimum floor of facilities, textbooks, materials, equipment, and quality teachers for all students.

A 2000 report concerning educational resource distribution among districts provides substantial evidentiary support for the thesis of the ACLU litigation. One non-partisan source summarized substantial academic literature in concluding: (1) school sites serving poor students are less likely to have qualified teachers; (2) small rural schools and African-American and Hispanic students are disproportionately low in their participation in Advanced Placement courses; (3) local educational foundations have added substantially to the resources of the schools in wealthy communities; and (4)

poverty has a greater effect on student achievement than any single school characteristic.¹¹⁶

In December 2000 the Governor surprised observers by filing a counterclaim against the eighteen school districts named in the ACLU suit. The irony of such a claim is the reliance of districts on state determined funding formulae. However, the state retained high priced representation from O'Melveny & Myers to attack both the contentions of the plaintiffs, and the spending decisions of the district co-defendants.

Studies and reports provided additional support and detail for the suit during 2001 and 2002. A Lou Harris survey commissioned by plaintiff Public Advocates interviewed 1,071 teachers statewide to measure what the plaintiffs allege are "objective conditions of learning" including resources, stability of teaching staff" and other indicators. He then developed an "index of risk" based on percentage of students receiving subsidized lunches (a recognized indicator of the poverty level of a student body), in addition to TANF recipients and percentage of LEP students. He then compared 20% high risk schools with the 51% lower risk. The study found particularly wide disparity in percentages of uncredentialed teachers at the higher risk schools, buildings a facilities were also in relative disrepair.¹¹⁷

Although suspect due to its association with plaintiffs, its findings were supported in December 2001 by the Center for the Future of Teaching and Learning in Santa Cruz. In its report, the Center found that in 2000–01 42,427 teachers (14% of those teaching) were novices who had not studied teaching. The proportion represented a 5% increase from 1999–00, and a 23% increase from 1997–98. Twenty four percent of the schools with 1.7 million children had faculties with more than 20% "underprepared" (temporary certificates, waivers or interns). Some low income school faculties had more than 50% in this category.¹¹⁸

Moreover, the study predicted an increase in the uncredentialed from the current record high of 42,427 to 65,000 by the end of the decade. These trends belie the many spending programs allegedly addressing teacher quality and provision in low performing schools with high LEP and impoverished student populations (see discussion of spending below).¹¹⁹

The most severe shortages are in math, science and special education, particularly for special needs children. And it affirmed the skewing of expertise away from children most in need, finding that "a low performing student has a five-time greater chance if having an underqualified teacher than a high achieving student" (consistent with the SRI data above).

The Center's report recommends doing away with current "emergency credentials" allowing those with subject matter knowledge to teach for up to five years "while pursuing certification." Current policy subsidizes such persons teaching without certification during this substantial time period (see discussion of 2002–03 spending for Alternative Credentialing below). The Report recommends using an internship arrangement instead, allowing such persons to learn how to teach without student reliance on skills that may not yet be developed.¹²⁰

Adding further support for the thesis of relatively less investment/teacher quality for impoverished/ low performing students was a Stanford Research Institute study released in 2002 of the location of uncredentialed teachers in 1999–00 and then in 2000–01, consistent with the Center for the Future of Teaching and Learning Report. The SRI ranked schools into quartiles based on student test results. The second lowest level of schools had 14% uncredentialed teachers in 1999–00, increasing to 16% in 2000–01. The quartile had 23% in 1999, increasing to 25% in 2000. The highest quartile had a steady 5% uncredentialed teachers on faculty.

In September 2001 Los Angeles County Superior Court Judge Peter J. Busch announced his decision to certify the ACLU class, a critical step forward in the litigation. The state cross complaint has been stayed pending the outcome of the primary allegations of the class. The case is set for trial before the end of 2002.

The Governor's May 2002 proposal to add \$300 million for low performing schools, including

the placement of “qualified teachers” in every classroom, apparently partly in response to this litigation.¹²¹ However, it is unclear how much of this new spending is not in fact subtracted from other education accounts. If entirely supplemental the sum could have some impact, but even if prudently expended, its scale will not substantially redress the physical plant and qualified teacher disparity problems discussed above.

g. Computers, and School Technology Investment

Capital investment and expansion needs of K–12 and higher education are discussed in “C” below. But one particular area of plant upgrading is of particular interest—the technology modernization of public schools. Currently, computers represent an important capital investment in education technology. New computer software uses laser disk technology and teaches reading and mathematics with interactive voice, pictorial graphics, and constant feedback to students—often able to progress at individually determined speeds.

One survey found that 51% of California households have personal computers (compared with 41% nationally). However, the distribution is uneven, with 61% of families with annual incomes of over \$40,000 having them, while only 12% with incomes below \$20,000 have them.¹²² Child advocates and education experts argue that computer literacy will be important for a large percentage of job opportunities. The lower-income children of the state not exposed to computer hardware at home will need school exposure in order to have the tools for upward mobility in the 21st century. Surprisingly, a 1995 survey found California last in the nation in school computer investment, with 21 students per computer. It also found the computer equipment in California schools to be obsolete and unable to utilize new technology. A 1995 task force of teachers, parents, technology experts, and business executives concluded that when obsolete equipment is discounted, California classrooms provide one computer for every 73 students.¹²³

In 1996, California ranked 45th of the 50 states, with 14 students for every computer, compared to the national rate of 10. Confirming the 1995 survey findings regarding outmoded equipment, the 1997 report noted that when only multimedia computers are counted, California moves to 37 students per computer, compared to the national average of 24. A survey published in November of 1998 places California 47th nationally in students per computer.¹²⁴ Child advocates note that “only 2 percent of teachers in California are trained to use network technology in the curriculum.”¹²⁵ The state has started to add computers, with a year 2000 report citing an increase to 10 students per computer;¹²⁶ however, the national average in the interim has also improved, keeping the state substantially behind national levels. In 1999, California moved to 8.1 students per computer, but the rest of the nation had moved faster and the state remained last nationally.¹²⁷ Even traditionally under-resourced states had outfitted it schools with more computers than had California, e.g., the 1999 survey found 4.7 students per computer in West Virginia.¹²⁸

In late 2000, the Packard Foundation released a series of studies on Children and Computer Technology. The scholarship found important educational benefits and potential from computer access, and substantial disparities between the rich and poor (the so-called “digital divide”). Findings included:

- ◆ Only about 22% of children in families with annual incomes under \$20,000 had a home computer in 1998, compared with 91% of children in families with incomes over \$75,000.
- ◆ Fewer than 3% of low-income children reported using computers in libraries of community centers in 1998.
- ◆ Schools serving predominantly low-income children tended to have older, less functional computers, to have fewer computers in each classroom, and to offer fewer experiences using computers.¹²⁹

Businesses frequently complain that young people are not technologically oriented when they graduate from school.¹³⁰ California's students are not learning the skills required for jobs that are

becoming available, and will be at a competitive disadvantage compared with public school graduates from other states.

A number of new funding sources currently interact to provide opportunities which the Governor's proposed budget and the Department of Education have thus far been unable to coordinate and implement, including the following:

- ◆ Possible significant contributions from the “E-Rate” as defined by the federal Telecommunications Act of 1996. The Act created a universal service fund (now at \$2.25 billion) to finance significant projects for telecommunication services. Schools with high numbers of TANF children will qualify. Although 65% of California's schools applied for funding from it, the FCC held funding below the legal limit during the program's first year after AT&T and MCI announced that the cost would be passed on to consumers in the form of higher phone rates, leading to some Congressional opposition. However, on May 27, 1999, the FCC voted 3–2 to spend \$2.3 billion starting July 1, 1999 to wire as many as 528,000 additional classrooms and hundreds of public libraries to the Internet. California's share of the federal allocation is approximately one-sixth; the state's 2001 allocation exceeded \$356 million.¹³¹
- ◆ Five separate Congressionally authorized programs administered by the U.S. Department of Education fund technology enhancement nationally. For year 2000 they included (1) \$32.5 million for Community Technology Centers, including community centers and schools in impoverished areas; (2) \$50 million for the Star Schools Program for distance learning involving more than one million students; (3) \$75 million in 225 grants to integrate computer technology into teacher preparation programs; (4) Approximately \$300 million for the Technology Literacy Challenge Fund providing competitive grants for new education technology and improved teacher training; and (5) \$146 million in “Technology Innovation Challenge Grants” to universities, agencies, community groups, and some schools to fund innovative uses of computers, networking, and multimedia across the curriculum.¹³² In 2002, some of these programs have been merged into broader categories still allowing technology use of federal funds (see discussion of “Leave No Child Behind Act” below).
- ◆ In 1995, AB 536¹³³ authorized revenue bonds to fund educational technology in K–12 schools. Hence, the bonds authorized as discussed above may be used for this purpose.
- ◆ Former Governor Wilson's four-year Digital High School Initiative was funded at \$100 million for 1997–98, increased to \$136 million in 1998–99, \$101 million in 1999–2000, was cut to \$76 million for 2000–01 and for 2001–02, and will be cut to \$61 million as proposed for 2002–03. The program provides matches for local spending for computer and technology enhancement. Over 200 schools currently participate.
- ◆ The state Public Utilities Commission has committed \$35 million to assist in wiring classrooms to technology networks.
- ◆ Assistance from some private foundations, e.g., the Detwiler Foundation's “Computers for Schools” program.
- ◆ An Institute for Computer Technology is currently funded at \$555 thousand, to increase to \$573,000.
- ◆ A broader account for “educational technology” could include computer/telecommunications spending, and is 24.6 million and budgeted for \$25.5 million for 2002–03.
- ◆ The Governor's May 2002 Revision announced an additional \$30 million for “computers in the classroom and professional development.”

6. Categorical Program Spending in General

	2000–01	Estimated 2001–02	Proposed 2002–03
Academic Improvement and Achievement	\$5,000	\$5,000	\$5,000
Administrator Training	\$4,850	\$5,109	\$5,274
Advanced Placement Programs	\$12,550	\$12,550	\$7,573
Advanced Placement Teacher Training	\$16,500	\$12,500	\$16,500
Agricultural Vocational Education	\$3,975	\$4,187	\$4,323
American Indian Education Centers	\$3,469	\$3,654	\$3,772
Beginning Teacher Salaries/Site-Based Teacher Performance	\$135,000	\$50,000	\$50,000
Beginning Teacher Support	\$88,820	\$84,640	\$88,262
Bilingual Teacher Training	\$1,651	\$1,740	\$1,796
Charter School Block Grant	\$22,747	\$41,434	\$49,721
Child Development	\$1,140,205	\$1,279,468	\$1,514,506
Child Nutrition	\$65,769	\$70,963	\$72,489
Class Size Reduction (9 th)	\$166,970	\$135,185	\$135,185
Class Size Reduction (K–3)	\$1,566,118	\$1,610,350	\$1,661,776
Classroom Library Materials	\$25,000	\$25,000	\$0
Community Day Schools	\$30,835	\$41,377	\$42,266
County Offices of Ed. Fiscal Oversight	\$4,285	\$5,223	\$10,723
Court-Ordered Desegregation	\$528,554	\$0	\$0
Demo Programs in Intensive Instruction	\$5,789	\$6,097	\$0
Digital High Schools (Ed Tech)	\$76,000	\$76,000	\$61,000
Dropout Prevention	\$20,097	\$21,167	\$21,853
Economic Impact Aid	\$426,328	\$465,623	\$499,415
Educational Technology	\$23,407	\$24,654	\$25,454
Elementary School Intensive Reading Program	\$86,176	\$29,545	\$30,503
English Learners Student Assistance	\$70,000	\$53,200	\$53,200
Foster Youth Programs	\$8,036	\$8,464	\$8,739
Gang Risk Intervention	\$3,000	\$3,000	\$3,000
Gifted and Talented	\$51,915	\$54,679	\$56,542
Governor’s Reading Award Program	\$4,000	\$4,750	\$4,750

	2000–01	Estimated 2001–02	Proposed 2002–03
Grade 7-8 Math Academies	\$21,500	\$12,341	\$12,741
Healthy Start	\$49,000	\$1,000	\$0
High Risk First Time Offenders Program	\$18,000	\$18,000	\$18,000
High Priority Schools Grant Program	\$0	\$0	\$197,000
Home to School Transportation	\$481,346	\$506,974	\$523,416
Instructional Materials K-8	\$131,056	\$137,013	\$0
Instructional Materials 9-12	\$33,796	\$35,827	\$0
Instructional Materials Block Grant	\$0	\$0	\$250,000
Mentor Teacher	\$136,880	\$84,168	\$86,898
Miller-Unruh Reading	\$27,249	\$28,362	\$28,972
Partnership Academies	\$19,666	\$22,051	\$22,999
Public School Accountability Act	\$156,699	\$317,970	\$347,555
School Age Families Education (CalSAFE)	\$80,844	\$83,143	\$84,470
School Dev. Plans & Resources	\$20,530	\$21,622	\$0
School Improvement	\$400,724	\$418,471	\$429,821
School Library Materials	\$158,500	\$158,500	\$0
Special Education	\$2,442,641	\$2,732,658	\$2,709,251
Specialized Secondary Program	\$4,716	\$4,967	\$5,128
Staff Development Day Buyout	\$246,824	\$224,157	\$230,003
Student Assessment Testing	\$112,392	\$126,477	\$137,623
Summer School Programs	\$418,743	\$434,948	\$449,055
Supplemental Grants	\$221,978	\$233,796	\$241,378
Targeted Instructional Improvement Block Grant	\$0	\$713,360	\$736,498
10th Grade Counseling	\$10,363	\$10,919	\$11,460
Voluntary Desegregation	\$148,741	\$0	\$0
Year-Round Schools	\$77,269	\$81,383	\$84,022
Intervention Underperforming Schools	\$46,104	\$0	\$0
Prop 227/98	\$50,000	\$50,000	\$50,000
Total (Unadjusted)	\$10,112,607	\$10,593,666	\$11,089,912
Total (Adjusted)	\$10,274,409	\$10,593,666	\$10,872,549

Dollar amounts are in \$1,000s. Sources: Governor’s Budgets.

TABLE 7-J. Categorical Programs (Selected Items)

In addition to general purpose spending for teachers and instruction, the state has also created a substantial list of “categorical programs” related to education apart from those discussed above. Some of these are designed to take advantage of federal subsidies (e.g., school nutrition programs); others are experiments with educational reforms, or to address particular statewide needs. In 1992–93, the Legislature began grouping most of these programs into a “Mega-Item.” By 2000–01, this series of spending programs was simply delineated as “categorical programs,” with less allowance for movement between accounts. At the same time, the “categorical” programs were expanded to include those relevant not just to “special programs,” but also to “instruction” and to “instructional support.” Hence, monies differentiated by specific program or goal are included. Excluded are the general monies going to districts for broader discretionary spending.

Table 7-J lists the Proposition 98 state spending for selected categorical programs. Overall spending tracks the trends indicated by Table 7-I above. The May Revise necessarily subtracts from current year totals and adds to 2002–03 as discussed above—a shift forward to meet the Proposition 98 minimum applicable for the proposed year.

The largest categorical programs relevant to children are child development (state pre-school and cognitive child care, discussed in Chapter 6), continuation of class size reduction K–3, economic impact aid, home-to-school transportation (buses), and special education. This listing does not include the nutritional school lunch programs discussed in Chapter 3, or other programs funded federally.

7. K–12 Initiatives in 1999–2002 [Davis Administration]

Gray Davis campaigned for Governor on a “public education” platform. The strategy was consistent with polls showing education to be the highest priority and greatest concern of large numbers of voters. In January 1999, shortly after taking office, the Governor called a special session of the Legislature to consider part of the education platform which formed the centerpiece of his campaign. The Legislature enacted the four bills advanced by the new administration in March, with some amendments but with three substantially intact. These four statutes have remained the philosophical basis for many of his Administration’s education initiatives:

(1) A school accountability act¹³⁴ ranks the state’s schools from worst to best based on statewide student testing. It ranks schools by ten percent “groupings” to remove the stigma of being last. It provides for special teams to visit low performing schools to assist their improvement, and triggers a series of rewards to teachers and others where improvement occurs.

(2) Each student must take a high school graduation or “exit test”¹³⁵ to graduate, with initial testing in 9th or 10th grades to provide advance notice to students of their standing (see test results and discussion social advancement above).

(3) A reading improvement program¹³⁶ involves tutoring, teacher training, parental involvement, and awards.

(4) A teacher peer review program¹³⁷ includes mentor visits, evaluation, and training.

School districts complained that the four bills combined will cost the state substantially more than the amounts allocated; local districts are technically able to bill the state for required costs mandated by the state.¹³⁸

Much of the funding for the Governor’s four proposals has come from directed rearranging of existing resources, but some new funds were added, as the Tables above indicate. Most child advocates support the accountability elements of the Governor’s program, but are critical of the failure to fund it to scale, to fund teacher training and supply adequately, or to reduce class size from 4th through 12th grades.

The Public School Accountability Act noted above is the centerpiece of the Governor’s educational platform. The Act establishes an Academic Performance Index (API) to rate the performance of schools, both over time and between schools. Until 2001 the API was calculated based on the basic skills portion of California’s STAR testing program, discussed above. Test results combine students’ scores into a single index number between 200 and 1000; the target API for all schools is 800. The first scores released in January 2000 ranged from 302 to 966. Each school is assigned a growth target, which is 5% of the difference between its score and 800. Hence, a school scoring 600 has a target of 610. Those schools scoring above 800 are expected to so remain.

The state used these indices to create comparative rankings for elementary, middle, and high schools, respectively. The system uses deciles, hence a score of 1 means a school is in the bottom 10%, up to 10 signifying the top 10%. A second ranking then compares schools with others serving similar students based on poverty, parent education level, and English fluency.

The second major component of the PSAA is intervention where schools underperform to assist them, including those in the bottom half for two consecutive years. In 1999–2000, 3,144 schools were so designated. Of those, 77 are receiving improvement funds through a federal program (Comprehensive School Reform Demonstration) program. An additional 350 received state planning grants of \$50,000 to hire an external evaluator, create a school site and community team, and develop an action plan to improve, to be approved by the local board and the State Board of Education (SBE). As of May 2000, the SBE had approved 200 school plans, recommending funding for plan implementation grants that averaged about \$168 per pupil. School districts are required to match the

state grant locally.

The 2000–01 budget provided funding at that level for an additional 430 schools. Hence, 15%–20% of the low performing schools were addressed and provided these funds over the first two years of the program. If targets are not met, the law allows possible state intervention, including reassignment of personnel, allowing student transfers, or even a state takeover and charter school creation.

On the carrot side, the statute permits the Governor to issue awards to schools which meet or exceed their performance goals. The first such rewards are scheduled for the end of the current fiscal year. A second rewards program enacted at the end of 1999 (AB 1114) adds individual incentives, allocating \$50 million in bonuses for teachers and administrators who have certificates where there is significant progress above targets. The bonus is capped at \$25,000 per person, and distribution will be subject to collective bargaining.

Aside from the initial erroneous ranking of schools, the dominant concern is the impact the accountability measures will have given the limitations of the critical testing mechanism. What is the impact of defining educational progress in terms of a somewhat narrow array of two or three tests? The criticism should not imply abandonment of accountability, but the broadening of the index and its refinement to include other measurable factors important to a child's education.

One disturbing study of the early results of the Governor's API bonus system indicates that qualifying schools through 2001 are those schools least needing additional resources. "Over 80% of the variation in schools' 2000 API scores can be explained by...the social and economic characteristics of a school's students, size of the school, and the quality of its teachers."¹³⁹ Specifically, schools with wealthier families, smaller in size, and with more certificated teachers disproportionately garnered the incentive funds. The message is that it is much easier to put 5 points on the API of a suburban wealthy school than an inner city school with minority, impoverished children. The latter tend to be larger schools with a lower level of certificated teachers. The current incentive system has the perverse effect of adding a disincentive for teachers to tackle teaching in places where they are most needed. The incentive system should be adjusted to add substantially and disproportionately for those schools who pull students at particularly low levels up toward the middle. While there is clear social value to pulling the above average higher, two factors warrant such an adjustment: (1) society gains when its citizens are lifted to an adequate floor to allow employment and contribution from all; and (2) it is more difficult to advance students from the bottom than from the middle.

The most interesting recent survey on the new accountability reforms was conducted by the respected non-partisan EdSource. Middle and high school principals throughout the state were surveyed and 331 high school and 289 middle school principals responded from 56 of the state's 58 counties. The findings include confirmation that standards and testing are indeed "taking center stage" in their respective schools. The greatest needs identified were more teachers, time/resources for "professional development (teacher quality enhancement), and smaller class sizes, especially for the middle school grades (grades 4 through 8). The creation of the Professional Development Institutes was supported, but funding during 2001 was sufficient for only 71,000 of the 300,000 teachers appropriately receiving institute assistance. The common thread of responses involved frustration as "from the top" paperwork which consumed as much in resources as resources the paperwork would bring. The respondents contend that what is needed is more time built into the regular school schedule for curriculum work, teacher training, and planning. That development includes "subject matter" and teaching methodology training, especially for those teaching mathematics.¹⁴⁰

8. Proposed K–12 Accountability and Other Major Categorical Spending: 2002–03

The Governor's major proposed spending programs for 2002–03 include:

a. Materials

Instructional Materials Block Grant. \$250 million for schools to purchase “standards aligned” instructional materials in core subjects. This item amounts to an extension of the Schiff-Bustamante Standards-Based Instructional Materials program (originally enacted in 1998-99). In late 2001, the Governor vetoed AB 50 (Hertzberg), which would have extended the program until 2007, resulting in a storm of criticism that the rejection was a betrayal of his education campaign promises. The January budget then included the \$250 million for 2002–03 and the Budget Summary promised additional funding of \$100 million for 2003–04, \$200 million for 2004–05, \$300 million for 2005–06, and \$350 million for 2006–07.¹⁴¹

Textbook Block Grant. \$200 million in one time grants for reading/language arts texts for 2002–03.

School/Classroom Library, Science Lab Equipment. \$100 million (one-time) for library purchase of materials, and \$75 million (one time) for science lab equipment purchase by high schools.

b. Teacher Development

Mathematics and Reading Professional Development Program. Increase of \$30 million in the ongoing math and reading professional development program to a total of \$110 million, to be modeled after successful UC Professional Development Institutes¹⁴² and to assure that reading and math teachers receive “standards aligned” training. Proposed funding will serve 32,800 teachers (at \$2,500 each) and 6,500 instructors (at \$1,000 each).

Professional Institute Stipends. \$48 million in teacher stipends for professional training at the Professional Development Institutes, the same amount in the current 2001–02 budget, but a decrease of \$6 million from 2000–01 spending. The sum is sufficient for the training of 43,000 teachers in 2002–03.

Total professional development spending from 1999-2000 through the proposed 2002–03 year (four years) will reach 180,000 total teachers at a cost of about \$500 million.

Beginning Teacher Support and Assessment Program. \$88 million for 2002–03 to cover 24,600 teachers, \$20 million less than base spending in the current year.

Peer Assistance and Review Program. \$87 million, the same level as in current 2001–02, but a \$50 million decrease from 2000–01. This program provides mentoring to inexperienced teachers by more senior, knowledgeable colleagues.

Instructional Time and Staff Development Reform Program. \$230 million to allow schools to provide professional development training outside of regular instructional days. The proposed level will fund three days of such training for 242,000 teachers, and one day for 80,000 instructional aids.

Teaching as a Priority Block Grant. \$119 million (restoring \$20 million cut in the current year) to offer recruitment and bonus incentives for low performing schools to attract and retain credentialed teachers.

Alternative Certificate Program. \$25.6 million, a reduction of \$6 million from the current year, to allow college graduates with proven subject matter knowledge to work full time as “alternatively certified” while earning a regular teaching certificate. The proposed funding will provide \$2,500 each to 10,240 participants.

Small Recruitment/Retention Programs. \$27 million in total divided roughly equally among three programs: (1) Teacher Recruitment Incentive Program (six regional centers to recruit qualified teachers, (2) Certificate Incentive Program for National Board for Professional Teaching Standards (providing \$10,000 bonuses to teachers who earn NBPTS certification, and an additional \$20,000 payable over four years to those agreeing to work in low-performing schools., (3) Paraprofessional Teacher Training

Program allowing non-college graduates to serve as instructional aids while going to college and serving 2,500 persons at \$3,000 each.

c. Incentives/Accountability

Governor's Performance Awards. These awards are granted to public employees with school site matches where the school's API improves by 5 points, or where achieving a 5% API score increase from the prior year score subtracted from 800,¹⁴³ whichever is greater. All subgroups (e.g., ethnic, grades) must meet 80% of the school's target (so one group is not sacrificed for another), and at least 95% of the school's students must take the tests (90% if a high school).

The program is theoretically funded at the rate of \$150 per test taker in grades 2–11. The \$227 million appropriated during 2000–01 had to be distributed to an unexpected number of schools, providing only \$68 per student, or less than half the amount promised. An increase in the 2001–02 current year to \$350 million was intended to address the shortfall, but will be delayed.

As noted below, this account has been criticized as awarding sums based on the rather arbitrary fluctuation of scores based on factors substantially unrelated to teacher or staff performance—particularly where measured on a year by year basis. They also go disproportionately to suburban, upper class faculty and staff.

Certificated Staff Performance Incentive Act. Related to the performance awards, the 2000–01 budget included \$100 million for a bonus system (\$5,000 to \$25,000) for “certificated staff” from low performing schools showing “significant, sustained” improvement in API scores. The administration estimated at the program's outset that 1,000 teachers and principals would receive \$25,000 bonuses, 3,750 would receive \$10,000 bonuses, and 7,500 (including staff) would receive \$5,000 awards. The actual distribution is subject to local collective bargaining agreements.

The amount was cut in half to \$50 million in the current budget, and is proposed for 2002–03 at the same level. As constituted, it will provide \$25,000 bonuses to 500 staff, \$10,000 bonuses to 1,875, and \$5,000 in bonuses to 3,750 .

Immediate Intervention/ Underperforming Schools Program. Where schools fail to meet API improvement standards, they are subject to state intervention and funds directed at focused improvement. However, application for financial help to plan improvements is “voluntary.” Additional softening of an envisioned “come to Jesus” approach of help, followed by possible state takeover and radical reorganization if improvement is not forthcoming.

For the 1999–2000 year, 3,144 schools were designated “underperforming.” Of those, 1,400 applied to participate in the program, but funding was provided for only 430 of them. Beginning in August 2000 the program was limited to schools in the bottom half of the API “flunk” list. Based on the 2000 API, 938 schools met the new eligibility criteria, 532 of those schools applied and only 430 were provided with funding. The current 2001–02 budget set the sum at \$200 per pupil, with \$162.8 million budgeted. The assigned funds are sufficient to fund about 15% of the schools/students originally anticipated.

The process of assistance works over three to five years, starting with a \$50,000 planning grant and a one year review with an outside expert consultant. If the plan is satisfactory, the school is given \$200 per pupil (\$200,000 for a school of 1,000 children) for two years. During that period they are to move at least 5% toward the state's target minimum of 800 API (Academic Performance Index, see above). Hence, at the required rate of progress, many schools at the 300 to 500 API range would have twenty years or more to reach the expected level. Schools that don't meet these rather modest progress goals then face state sanctions—after two years, and subject to an allowance for an extra year. The lowest performing schools in the state, showing the least promise, have yet to qualify for serious sanctions.

As revised under AB 961 (Steinberg) in 2001, the grant amount was increased to \$400 per student, the requirement for an independent consultant was removed, and the timelines were lengthened so that

instead of facing sanctions after two years of little progress, a local district could grant a third year of dispensation. Including the planning grant year, this brings the total time span failing to progress by a meager 5% to four years. A fifth year of dispensation may be obtained if they can show undefined “significant progress” in meeting their goal. Presumably, a school at an API of 500 could make no progress whatever for three years, move up 3% in the fourth year, and gain a fifth year without sanctions or takeover.

For 2002–03, the budget proposes a modest increase of \$211 million for implementation grants at 1,200 schools. The \$400 per student to be committed to these schools to accomplish improvement amounts to an additional 6% beyond ordinary ADA spending .

Responding to criticism that the sanctions hammer did not exist, the Governor’s May Revise 2002 does add \$6.5 million to implement “sanctions” against an estimated 50 schools possibly so subject. The intervention or takeover team would receive \$50,000 for an initial assessment at each of these schools, with funding at up to \$150 per pupil to implement an approved plan.

High Priority Schools Grant Program. The current 2001–02 budget as enacted includes a voluntary grant program to give schools in the bottom 20% of API test performance \$175 per student for three years. The grants would pay for instructional materials, staff development, computers and other technology, tutoring services, library, deferred maintenance or other instructional improvements. The concept here is the entering into a “contract” of sorts where the schools would receive these monies in return for test score and related progress. Funding would continue for an additional four years if progress occurs. Schools failing to meet goals would be relegated to the “Immediate Intervention/ Underperforming Schools Program” listed above.

The funds here are largely provided from the redirection of \$220 million from the May 2001 pull-back of the middle grade year extension proposal of last year. It was budgeted at \$197 million for 2000–01, but was among those programs delayed one year to proposed 2002–03. These grants go to low performing schools to improve academic performance. The grant amount has been increased for the lowest scoring schools to up to \$400 per pupil to implement an action plan involving pupil literacy, staff quality enhancement, parental involvement, or facilities/support.

Pupil Testing. \$130.5 million for various statewide exams, including the STAR examination, the High School Exit Exam, and the California English Language Development Test (see condition indicator discussion above for previous results from the first two, and the bilingual discussion above for results of the first administration of the last). The Governor added another \$5 million beyond the total above for further refinement of these last two tests in his May Revise 2002. A Fourth exam is proposed for 2002–03, the Golden State Exams and consisting of challenging end-of-year examinations in 13 different subjects to allow students to be recognized for their advanced knowledge. This examination may be incorporated into the STAR tests above for administrative savings.

“Governor’s Scholars Award Program.” In 2000–01, the state \$112 to finance \$1,000 to public school 9th, 10th, and 11th graders who test on the STAR examination in the top 5% in the state, or in the top 10% in their school (allowing up to \$3,000 over three years). Another \$6 million provided higher education scholarships of \$2,500 each to those qualifying for the merit scholarship above, and who also score high on the Advanced Placement, Golden State, or International Baccalaureate math and science exams.

In February 2002, the Governor announced another 113,000 eligible high school students for the \$1,000 awards, now budgeted at \$118 million. The funds may be used to pay fees or tuition at any accredited school of higher education and may be claimed at any time over the five years and may be used until the student reaches 30 years of age.

d. Allocation of New Federal Funds for 2002–03

The Congress enacted the “Leave No Child Behind Act” after the publication of the Governor’s initial

budget for 2002–03 in January 2002. As discussed in detail below, the Act provides substantial new money for specific federal purposes involving accountability and incentive measures similar to but in some respects beyond the program of the Davis Administration. The Governor specifies in his *May Revise* how the \$738 million scheduled to be received during the state's 2002–03 fiscal year (somewhat different from the federal fiscal year). His allocation includes \$131 million for K–3 teachers to attend high quality training programs, \$315 million to improve teacher quality and increase the number of teachers in the classroom, \$207 million for K–3 class size reduction, and \$78 million for the Mathematics and Reading Professional Development Program. A close reading of this allocation indicates that most of this federal money is being diverted to non-educational purposes, *i.e.*, the reduction of general fund obligation to avoid the obligation to increase revenues. It is allocated for purposes already funded in the 2002–03 budget as proposed in January, supplanting that funding and effectively diverting federal money directed for California's children to other purposes.¹⁴⁴

e. Other

Major categorical educational programs are addressed in other chapters, CalWORKs training in Chapter 2, federal nutrition programs in Chapter 3, special education in Chapter 5, and child development (child care) in Chapter 6. The Digital High School Account is discussed above and is scheduled for reduction from \$76 million to \$61 million as proposed for 2002–03. As discussed elsewhere, federal special education funding has increased. The remaining three accounts have been static and are not scheduled for significant increase, although the legitimate needs of children would so warrant.

Other significant accounts include:

Targeted Instructional Improvement Block Grant. This block grant folds the 2000–01 Court-Ordered and Voluntary Desegregation categorical account with other related accounts and is currently budgeted at \$713 million, with \$736 million proposed for 2002–03. The stated intention of the new block grant is to provide a “stable source of funding to target students still most in need of (academic) assistance.”¹⁴⁵ See discussion of “equality of opportunity” above.

In his *May Revise* 2002, the Governor announced an increase of \$300 million for “improving academic achievement for economically disadvantaged students...Use of these funds will be prioritized to meet the needs of the lowest performing schools first and to make progress toward the goal that a highly qualified teacher will be in every classroom.”¹⁴⁶ The \$300 million will apparently augment this Targeted Instructional Improvement Block Grant, although some may be allocated to underperforming school monies or to teacher development or incentive accounts, as described above. The new funds appear to respond partly to the allegations of financial discrimination against impoverished or underperforming children now confronting the Governor in San Francisco superior court (the *Williams* case brought by the ACLU among others). On that litigation, the Governor has cross complained against the 18 school districts named by the plaintiffs—impliedly assigning responsibility for funding allocation to them. The litigation between the Governor and the school districts may involve the counterclaim by the latter that the state fund categories and amounts have precluded equality of funding and comparable teacher qualification between schools with wealthy versus poor student populations. The *May Revise* specific reference to qualified teachers in low performing classes corresponds closely to the allegations of the plaintiffs in the pending suit. That case is a serious public test of state priorities, with a certified class and imminent trial—including public relations and court judgment implications (see discussion in Equality of Opportunity discussion above).

Deferred Maintenance. \$205 million in general fund Proposition 98 funding for ongoing maintenance of K–12 schools, with another \$15 million added from School Site Utilization funds provide a total of \$220 million, to be matched by local districts for a possible total of \$440 million. However, it is unclear how many districts will generate the funds to provide the local match given extraordinary pressure on their budget due to the reductions of the proposed 2002–03 budget, beginning with current year cuts and payment delay, as discussed above (see below for discussion of bond financing for school upgrading and construction, a hopeful source of long-range funding for these purposes).

Data Improvement (CSIS Related). The Governor proposes continued expansion of the California School Information Services (CSIS) system, an effort to develop statewide data about the status of students and schools. The proposed budget lowers spending slightly from the current budget of \$16.5 million to \$15.5 million, \$11 million of which will fund first year CSIS implementation in 150 local educational agencies (15% of the state's total number), and second year implementation at 131 local districts. The current emphasis of this account is on tracking student movement between districts and schools (see discussion above concerning the problems of calculating actual drop-out ratios given transfers of students without tracking).

Independent Study “Reform”. The Governor's 2002–03 budget lowers all classroom instruction involving independent study by a nonwaivable 10%. Essentially a “tit for tat” approach to the legislature's reduction of charter school compensation where such independent study is relied upon, the device allows a \$43 million reduction for instructional accounts. Note that use of independent study in public schools is distinguishable as follows: (1) it is normally a small part of a student's education, is subject to direct instructional supervision; (2) has been a part of the public school system for many years at previous overall funding levels, and (3) does not involve the same profit incentive that may apply to a for-profit charter school—which is able to collect per pupil and keep as profit sums not expended. The effect of the Governor's adjustment is a subtraction from sums previously available for instruction.

9. Federal Spending for California K–12 Education 2001 to 2003

Most federal programs provide grants to state or directly to local agencies. Most of this spending is reflected in the Categorical Spending Account discussed above. The translation of federal funds into state accounts is complicated by the very different fiscal years, with the state's running from June 30 to July 1, and the federal fiscal year from September 30 to October 1.

a. Major Federal Categorical Spending

Five of the major continuing programs are listed below. The list excludes school nutrition programs discussed in Chapter 3, but includes the special education funding which is routed from the Individuals with Disabilities Education Act (IDEA). The Table presents federal spending amount allocated to California in federal fiscal year 2000, 2001, and 2002—the last under the terms of the recently enacted “Leave No Child Behind” Act.

Table 7-K includes the major federal education related spending allocated to California. The totals include some unlisted small programs under \$2 million each. The Table does not include about \$200 million in education spending for adult vocational education (and discussed in Chapter 2).

California Children's Budget 2002–03

Program	2000–01	2001–02	2002–03
ESEA Title I Grants to Local Education Agencies	\$990	\$1,186	\$1,454
ESEA Title I Even Start	\$18	\$30	\$31
ESEA Title I Reading First State Grants	\$0	\$0	\$133
ESEA Title I Migrant	\$107	\$119	\$124
ESEA Title I Neglected & Delinquent	\$4	\$4	\$4
ESEA Title I Comprehensive School Reform	\$21	\$27	\$31
Subtotal: Education for Disadvantaged	\$1,140	\$1,367	\$1,778
Impact Aid—Basic Support Payments	\$41	\$58	\$63
Impact Aid—Payment to Children w/ Disabilities	\$3	\$5	\$4
State Grants to Improve Teacher Quality	\$0	\$0	\$335
Class Size Reduction	\$140	\$175	\$0
Eisenhower Professional Development State Grants	\$40	\$54	\$0
School Renovation Grants	\$0	\$139	\$0
Safe and Drug Free Schools State Grants	\$51	\$53	\$61
Community Service State Grants	\$0	\$0	\$7
21 st Century Community Learning Centers	\$0	\$0	\$42
Educational Technology State Grants	\$50	\$56	\$86
Fund for the Improvement of Educ./Comp. Reform	\$6	\$6	\$9
State Assessments	\$0	\$0	\$29
Education for Homeless Children & Youth	\$4	\$5	\$7
Rural and Low Income Schools	\$0	\$0	\$3
Indian Education—Local Grants	\$4	\$7	\$7
Goals 2000—State and Local Systemic Improvement	\$54	\$0	\$0
Language Acquisition State Grants	\$0	\$0	\$115
Immigrant Education	\$33	\$32	\$0
Special Education—Grants to States	\$506	\$660	\$782
Special Education—Preschool Grants	\$40	\$40	\$40
Special Education—Grants for Infants & Families	\$46	\$47	\$50
Subtotal—Special Education	\$591	\$737	\$871
Vocational Rehabilitation State Grants	\$226	\$234	\$241
Subtotal—All Rehab. Spending & Disability Research	\$236	\$245	\$252
State Grants for Incarcerated Youth Offenders	\$2	\$2	\$2
Federal Pell Grants	\$1,007	\$1,167	\$1,253
Federal Supp. Educ. Opportunity Grants	\$66	\$73	\$77
Federal Work-Study	\$103	\$111	\$111
Federal Perkins Loans - Capital Contributions	\$11	\$11	\$11
Leveraging Educ. Assistance Partnership	\$6	\$8	\$10
Byrd Honors Scholarship	\$5	\$5	\$5
Total Federal Child Related Non-Nutrition Educational Spending	\$3,644	\$4,325	\$5,153

Dollars in millions.

TABLE 7.K Federal Education Spending Allocated for California 2000–01 to 2002–03

The Leave No Child Behind Act effective in 2002 shifts some money between programs, and those listed as funded in 2002 will continue into future years. As discussed above, the previous Class Size Reduction monies of the Clinton Administration—intended to stimulate the hiring of one million teachers nationwide, and the Eisenhower Professional Development State Grants program have been replaced

by the Title II State Grants for Improving Teacher Quality, as the Table suggests. The Bilingual Education project grants and the Immigrant Education program have similarly been replaced by the Language Acquisition State Grants program.

As discussed below, the new spending loosens some of the restrictions on state discretion and provides funds to implement the accountability measures of the new law—measures that are somewhat similar to the Davis education reform legislation of 1999 to 2001. The grant total increase of from \$3.6 billion to \$5.2 billion over two years warrants several *caveats*. First, these numbers have not been adjusted for inflation or population change. Second, they are amenable to supplantation by the state, as the federal funds are received—they then may be subtracted from previous state general fund monies in similar categories. Third, the total adjusted increase of just over \$1 billion amounts to just over 2% of the state's K–12 total budget—if it were not to be supplanted.

b. Federal Title I Funding

Table 7-I indicates the recent growth in federal contributions for K–12 education (see “federal funds” line). The federal government contributed an unadjusted \$4.46 billion during 2000–01, with an increase to \$5.26 billion in the current year, and a decline to \$5.20 for proposed 2002–03.

Outside of nutrition and special education discussed in Chapters 3 and 5 above, the largest single federal contribution for K–12 education has been basic education Title I funds to help the 20% economically poorest children in school (see Table 7-K Title I entries). Started in 1965 as part of President Johnson's “War on Poverty,” these funds have provided, among other things, tutoring and more than 132,000 classroom positions nationally (about half paraprofessionals—mostly school aides and teacher's assistants).

The results of Title I spending are in dispute, with the overall gap in reading and math scores between the impoverished and average student populations virtually unchanged over the past two decades, notwithstanding facial increases in the account. However, adjusting the original amount in 1965 for population and inflation indicates very little actual spending power increase. Further, the growth of LEP populations, and increasing poverty over the past decade may have led to a substantially larger gap without this continuing investment. Finally, the initial impact of the program from 1965 to 1980 correlated with a marked improvement in impoverished test scores, with about one-third of the pre-1965 gap made up during the early years of the war on poverty. Final judgment about the program's efficacy is limited by a lack of control group comparison studies to objectively measure impact.

Whatever the historical or theoretical advantages of the Title I program, educators increasingly agree that hiring large numbers of unqualified “aides” and “clerks” may be less beneficial than hiring fewer persons more highly trained and proficient in the teaching task. Others argue that the program's tactic of “pulling children out” of class for individual tutoring can backfire if the rest of the class is getting more advanced material by a trained educator, while impoverished children are separately taught elementary material by a paraprofessional. Many of those have uncertain teaching ability, and only 13% have college degrees. Under federal standards, Title I hired aides need have only a high school diploma.

However this federal money is best spent, California has not been receiving its fair share. By recent calculation, the state has been receiving only \$573 per pupil, ranking 49th in amount among the states and territories.¹⁴⁷ Title I spending has since increased by 15%, and California is now receiving \$1.37 billion. Increases proposed for 2002–03 should move the state closer to the national average. However, the state's share remains deficient given its demographics for Title I purposes (among the highest poverty and immigration rates in the nation).

c. Major Federal Changes/Programs Under 2002 Leave No Child Behind Act

The President advanced some new education programs in the last three federal fiscal budgets (October 1, 1998 through September 30, 2001).¹⁴⁸ The Clinton Administration gave up its Goals 2000 effort in order to win approval of its smaller class size initiative (the hiring of new teachers), which has since been merged into the new federal program, as the 2001–03 spending of Table 7-K indicates.

Aside from the California allocated spending listed above, the major elements of the new federal program include:

Annual Testing. By the 2005–06 school year, states must begin administering annual, statewide assessments in reading and math for grades 3–8. By 2007–08 states must add science assessments at least once in elementary, middle, and high school, respectively. Tests must include individual scores in order to measure trends by race, income, etc. A sample of 4th and 8th graders in each state must participate in a National Assessment of Educational Progress in reading and math every other year (to be federally financed). This last element is intended to provide a federal yardstick given the latitude given states in deciding how to test.

Academic Proficiency. States must attain academic proficiency for all students within twelve years, although the states have leeway in the definition. But a minimum threshold must be established for the lowest performing schools. Performance must be enhanced gradually and in equal increments over time leading to “100% proficiency.” A safe harbor is allowed where progress is being made. In addition to test scores, graduation rates must be another indicator of proficiency. A school failing to make progress for two consecutive years, it will receive technical assistance from the district and must provide parents “school choice” of other district schools, and must pay transportation costs of up to 5% of its Title I money for that purpose.

After a third year of inadequate progress, a school must offer supplemental educational services, including tutors and must commit up to 5% more of its Title I money for that purpose. If it fails to make progress for a fourth consecutive year, it must implement corrective action, including adoption of a new curriculum or replacing staff. After five consecutive years lacking adequate progress, the school would qualify for reconstitution, be required to set up alternative governance. Options here would include the creation of a charter school or turning the school over to the state.

Report Cards. Beginning with the 2002–03 school year, states must provide annual report cards with a range of information about their schools, including statewide student achievement broken down by subgroup, and broken down by school and district.

Teacher Qualification. All teachers hired under Title I, beginning in fall of 2002, must be “highly qualified,” defined as “certified by the state.” The definition includes a “high degree of competence in the subject matter taught.” By the end of the 2005–06 school year, all public school teachers must be “highly qualified.” By 2005, all paraprofessionals hired with Title I money must have at least two years of college, or meet a rigorous standard established locally.

Reading First. Provides help to states (\$133 million for California in 2002–03) to set up “scientifically based” reading programs for children K–3. Up to 20% may be used for teacher professional development. States must distribute 80% by competitive grants, with priority to impoverished students.

Early Reading First. Provides a small amount for grants to enhance reading for 3- to 5-year-olds in impoverished areas.

Teacher and Principal Quality. This aspect combines the class size reduction and Eisenhower professional development programs into a single, flexible fund. The money can be used to provide initiatives for teachers, development of expertise, or class size reduction.

Math and Science Partnerships. Grants for states, colleges and schools to form partnerships to enhance student math/science performance.

Technology. Consolidates several existing technology programs into a larger, flexible fund, to be used for technology access, or other purposes, but with at least 25% expended for professional development.

Bilingual Education. Consolidates several ESEA bilingual related programs into a single, larger fund. It requires LEP students to be tested in reading and language arts in English after attending three or more years of U.S. school, with limited waivers allowed. It ends the requirement that 75% or more of federal money be spend on programs using a child’s native tongue.

Safe and Drug-Free Schools and Communities. Spending to aid states and districts improve safety and reduce drug use in schools.

21st Century Community Learning Centers. Provides substantial funds for before and after school initiatives that advance student achievement. In an important change, it will allow not only grants to schools and districts, but to community-based organizations, including faith based groups.

Innovative Education Program Strategies. A block grant to states to use on innovative approaches to improve student achievement. The state must send at least 85% of the money to districts or schools.

Public Charter Schools. These funds provide aid to states and localities to support charter schools, including planning, design, evaluation, and facilities costs.

Fund for the Improvement of Education. This fund allows the federal Secretary of Education to support nationally significant programs to improve education.

Rural Education. Provides grants to small, rural districts.

Transferability. Districts may transfer up to 50% of the money from several of the ESEA programs if still expended within Title I uses.

10. State and Federal K–12 Spending Summary/Analysis

Overall investment from 1999 in the Governor’s education reforms have been significant, with the four year total from 1999 (including proposed 2002–03) totaling \$3 billion for instructional materials, \$2.6 billion for teacher development, and \$1.88 billion for accountability.¹⁴⁹ However, effective budget investment for children is undermined by eight *caveats*, as follows:

a. Some Spending Not New.

Some of the spending cited by the Governor does not represent net increase over previous levels. For example, although \$3 billion over four years for class materials represents an increase over spending from 1995-99, the increase is closer to 3/4 billion than \$3 billion.

b. Where Meritorious, Investment Lacks Scale

The list of programs and monies above intended to improve teacher quality and to particularly target low performing schools seems facially impressive. However, the four years of \$2.6 billion for teacher development and \$1.88 billion for accountability represent 2.5% of the K–12 education budget over that period.

Where this funding is not wasted and has potential to make a difference for California’s school children it is often not provided to scale. For example, how likely is the infusion of another 6% to the budgets of the state’s lowest performing schools going to allow them to make substantial educational gain? That is the maximum sum provided schools. Further, it is a voluntary program that many schools do not use. The sum is enough to finance a “study”, meetings, and perhaps some minor curriculum change. As discussed above, the sanction of state takeover where improvement fails has been softened—partly to avoid the high costs of takeover and the difficult personnel changes and investments needed to change outcomes.

Since 1999, the Governor's program has expended the substantial sums listed above, including a major effort at teacher quality enhancement and recruitment with many millions of incentive dollars paid to thousands of teachers. The effort has been helped by the minimal class size reduction effort since the Wilson Administrations K–3 effort prior to 1999. Nevertheless, the disparity between facility investment and qualified teachers in impoverished areas is greater as of 2001 than it was in 1999 (see discussion and data in Equality of Opportunity discussion above).

c. Substantial Waste

Governor Wilson offers \$10,000 bonuses to teachers who earn "national certification." As noted in the 2002–03 spending summary above, Governor Davis adds \$20,000 over four years for teachers who work in low performing schools. Some districts add further public monies, with \$5,000 offered annually by some districts—and amounting to \$80,000 over the life of a "Board Certificate." The number seeking such certification as of March 2002 has increased to 1,303, up from 131 three years ago. Is the expenditure of such sums appropriate to yield such a small number of teachers with a national certificate attesting to their teaching ability? As noted above in questioning the scale of many programs, is it large enough to contribute meaningfully to equality of opportunity—given the overall disparity in faculty quality between the wealthy and the impoverished?

Similar questions apply to the \$257 million expended in 2000–01 to give substantial bonuses to teachers and staff where the API increases modestly, which turns out to be relatively easy in the small, suburban schools of the upper middle class. As discussed above, less than 10% of that amount is directed to bonuses for new high quality teachers in the low performing schools. The total expended for these rewards to teachers and staff to proposed 2002–03 now exceeds \$1 billion. Notwithstanding this investment, the late 2001 Stanford 9 test scores (determining API) yielded a much lower percentage of schools reaching the modest improvement required—48% of schools qualified, compared to 69% in 2000–01. One-third of the low ranking schools that met their targets last year failed to do so in the current year.

A most apparent example of waste is the expenditure of "rewards" for all students scoring high on standardized tests—regardless of need. The test takers have incentive to score well without the receipt of bonus money. The \$118 million per year is here expended on youth who will attend a university system already highly subsidizing tuition, a population generally wealthier than the mean, and bound for relative wealth. To generally target that population for bonuses over other critical investments (capacity expansion so more youth have a chance at higher education, education expenses for the state's own foster children who emancipate with little assistance, *et al.*) cannot be easily justified. Although many other state expenditures have less merit, it does not commend itself as a prudent educational investment given overall needs and the data on continuing relative under-investment in the state's impoverished children. Moreover, it carries with it the unseemly patina of largesse distribution to generate political gratitude. That impression is not assuaged by the program's name: "Governor's Scholar Awards Program." The funds involved come from taxpayers, not the Governor.

Although progress continues and many aspects of the Governor's program warrant support—much stronger commitment than has been forthcoming—some aspects, including some of the array of \$1,000 to \$25,000 in bonuses does not appear to be closely connected to educational improvement, particularly while other needs are short changed—particularly more direct spending to enhance teacher supply, class size reduction in grades 4–12, and perhaps further reduction in K–3 if the Tennessee results at slightly lower class size proves applicable to California.

d. Insufficient Outcome Measurement

A substantial portion of new money is committed to “professional development” of existing teachers, including institutes. Is it yielding results warranting the substantial new investment undertaken? The Governor recommended \$3 million in his *May Revise 2001* to include within the CSIS data system (see above) the capacity to trace groups of students longitudinally over multiple years. In addition, his *May Revise 2002* adds \$10 million for “data gathering to develop longitudinal databases, including unique student identifiers—which is required under the federal Leave No Child Behind Act.

That investment should be renewed and expanded substantially, and applied to the aggressive /control group measurement of each of the many new initiatives of the Governor. Some of the new programs, as described above, are responsive to organized teachers and the educational establishment—providing new funding for large numbers of teachers. Some of this spending may be cost effective and warrant additional investment; as recommended in Chapter 1, an automatic proportion of new program money should be reserved for independent evaluation to determine the merits of larger scale funding, adjustment, or termination.

e. Misleading Budget Claims for 2002–03

The Governor’s *May Revise 2002* states that proposed 2002–03 K–12 education spending amounts to a spending increase per pupil of “8.6%” from the current year.¹⁵⁰ That increase is achieved by reducing current year spending by \$1.9 billion, or more specifically, by moving \$1.5 billion in current year spending from the last month of the current year to the first month of the second year. More accurately, spending for current and proposed years approximates \$6,900 per pupil in each year, moving the state back into the bottom third of the nation in spending per child.

The spending totals in the budget documents of the Governor and Legislature, as in previous years, fails to adjust year to year for inflation, falsely implying that small raw number increases mean added investment in children. Adding to this omission are cost increases effective in 2000–01 and extending to the proposed year well beyond normal inflation, including particularly energy costs. The Governor allocated substantial sums in 2000–01 for emergency school energy purchases as utility bills rose, then withdrew \$250 million for that purpose at the end of 2001. Such sums are not proposed for 2002–03 although utility increases have been approved by the PUC for all four of the state’s major utilities covering almost all of the state’s schools.

f. Diversion of Federal Money for Children

The Governor’s *May Revise 2002* makes cursory reference to the addition of \$300 million for the lowest performing schools and to assure qualified teachers, as discussed below. One source of such funding is the new \$335 million appropriated after January 2002 from the federal Leave No Child Behind Act’s “State Grants to Improve Teacher Quality” account. However, folded into this account are previous Class Size Reduction monies and the Eisenhower Professional Development State Grants program. To the extent previously expended federal sums are no longer collected or allocated (*e.g.*, for tenth grade class size reduction) the stated “addition” may be effectively offset.

More important, most of the new federal funds intended to add to current state efforts for education is being diverted through “supplantation” for general fund reduction to avoid new revenue demand. As described above, the \$738 million from the federal 2002 Leave No Child Behind Act for California in 2002–03 includes \$207 million for already funded K–3 class size reduction, \$78.3 for the Math and Reading Professional Development Program already included in the existing budget proposed in January, etc.”¹⁵¹ Similarly, the *May Revise* subtracts \$51 million from the Professional Development Institutes general fund spending proposed in January to replace it with No Child Left Behind Act monies.¹⁵²

g. Diversion of State General Fund Proposition 98 Funding to Other Accounts

As the discussion of accounts in Chapter 2 (CalWORKs training), Chapter 4 (health), Chapter 5 (special needs), Chapter 6 (child care/development) catalogue, many child related programs are cut with the explanation that subtracted monies will be picked up by "Proposition 98" funding. This reference refers to the assignment of Proposition 98 education funds to supplant previous general fund spending for the enumerated purposes. The need for that supplantation is driven by the failure of the proposed 2002–03 budget to meet the Proposition 98 constitutional minimum without counting more state spending under its rubric. Since the general fund is under pressure, it is thus relieved by subtracting previous non-education funding and replacing it with funds from this account—accomplishing dubious compliance with the Constitution and effectively reducing child related spending. The total scope of that reduction includes the \$7.6 billion reductions listed in the Governor's May Revise 2002 (see Chapter 1), to which the \$1.5 billion in artificially moved education funds from current year to the proposed 2002–03 year is properly added.

h. Overall Commitment Adequacy

Overall state education increases were significant in 1998–00, but have not increased markedly since—with California's ranking in spending per pupil nationally falling over the last two years back into the bottom third, as discussed above, and 30% below per pupil spending in major Eastern states. Class sizes are again the highest in the nation, substantially higher than the case in relatively impoverished Southern and border states.

The overall federal share of California's K–12 education revenue remains at about 10%.¹⁵³ The K–12 federal increase amounts to less than 1.5% of state K–12 spending. Moreover, most of the federal increase can be traced to additional special education contribution. This spending has risen from 15%–25% of special education expenditures for 2002–03, but is still substantially short of the 40% of total cost promised the states with the enactment of the federal IDEA statute. Although approving an increase, the Congress has rejected "full IDEA funding" of amounts pledged.

Federal commitment to California involves additional testing obligations, but lacks substantial resource investment, including the critical elements of teacher supply and class size reduction assistance to scale. Instead of positive funding, most of the costs implied in the Leave No Child Behind Act list above comes from the threat to reduce some percentage of largely existing Title I funding. And also as discussed above, to the extent additional funds have been provided (\$738 million) they have been largely supplanted by the state—offsetting previous state general fund commitment to allow reduction of general fund obligation and avoid new taxation (or reduction of existing tax expenditures).

President Bush has advertised the federal Department of Education as receiving the largest percentage increase 2002—at 11.5%. However, a close analysis reveals that the accountability agenda of the administration's proposal includes testing and sanctions, but only marginal new resources. The 11.5% increase is based on an increase from \$39.9 billion in 2001 to \$44.5 billion in 2002 (\$4.6 billion increase). This 5.9% increase for the Department of Education budget is actually "smaller than the percentage increases enacted for the Education Department's budget in each of the past four years."¹⁵⁴

Actual spending for 2001 nationally is \$42.1 billion. Further, the estimate does not look at all education spending but only the spending from the Department of Education. Including all spending changes the numbers to \$44.1 billion in 2001, increasing 5.3% to \$46.4 billion in 2002. Finally, the figures fail to adjust for inflation and population. So adjusting makes the final figures \$45.1 billion in total federal education spending in 2001, and \$46.4 billion proposed for 2002, an actual increase of 2.9%.¹⁵⁵

National federal education spending increases amount to \$1.3 billion, adjusting for population and inflation and including accounts which are subtracted to produce a larger "Department of Education" number. The scale of the new investment contrasts with the Congressional tax reforms of 2000–01, which provide \$1.35 trillion in tax expenditures over 11 years. The \$1.3 billion in new education investment for 2002 amounts to just over 1% of the average new tax benefits conferred for the wealthy, middle class, elderly, and business interests, and those 100 fold benefits are locked in year after year to 2011.

B. Higher Education Investment and Access

The data presented above suggest that large numbers of students attend community colleges and that an unusual number of California secondary students are attempting to advance beyond high school in order to obtain training which will match future job demand. Unlike K–12 education, which remains an entitlement, cuts to these higher education accounts—or cuts in financial aid or loan opportunity—translate into seat losses in schools and lost opportunities. Given the relationship between education and employment and income, and the prospective TANF cut-downs and cut-offs to over 400,000 parents, these accounts take on special importance. Moreover, as the condition indicator data above show, education is critical both to future higher income and to future employability given the long term reduction in factory, agriculture, and related blue collar jobs. Experts estimate that higher education and vocational training capacity will have to increase 30% to 50% above current levels. Importantly, that is a gain above population increase—one sufficient to increase to above 85% the segment of the population possessing vocational, community college, university or advanced education.

The California Postsecondary Education Commission (CPEC) is the state’s higher education coordinating and planning agency. It analyzes higher education problems and engages in long-range planning and recommendations. It is funded currently at \$10.7 million (\$4 million general fund) and is proposed to be virtually eliminated in 2002–03, with its staff cut from 46 positions to 3 under the Governor’s May Revise 2002.

1. University of California (UC) and California State University (CSU) Systems

Governor Davis has renewed his current year “partnership agreement” expectation with the University of California (UC) and the California State University (CSU) systems. The administration proposes to establish a “base partnership budget” which will vary based on articulated goals met by the institutions. The format is apparently intended as a counterpart to the more specific and intrusive accountability being demanded of K–14 institutions. The partnership terms promise from the state “an average annual increase of four percent to the prior year’s state-funded base” in return for (1) ensuring admission to the top 4% of the graduates of each high school senior class, (2) increasing community college transfer admissions, (3) improving graduation rates and timelines, (4) assuming greater responsibility for K–12 school improvement, and (5) increasing utilization of facilities.¹⁵⁶ While laudable goals, the “partnership terms” do not prioritize the most critical mission of the university system: Preparation of a substantially larger proportion of youth for future contributive employment. Moreover, in the proposed 2002–03 budget, the Governor breaches his part of the agreement, increasing spending for UC and CSU by less than 1%, and in his May Revise 2002 subtracts \$212 million, for a raw number decrease of \$130 million, a 1.6% raw number decrease. Adjusted for child population and inflation, the two premier higher education systems of the state will suffer a cut of 4.5%.¹⁵⁷

As the K–12 discussion notes, the UC system is a major vehicle for the Governor’s program to improve teaching quality (including professional development institutes for teachers) and technology use in the K–12 schools. As is noted above, most of the training and technology funding is being appropriated to UC, which will direct these statewide programs. However, rather than a balanced plan to add capacity for long-term production of a higher percentage of youth with college degrees in education, or in other high job demand sectors, most additional new funding pays for COLA adjustments, a modest amount for “discretionary priorities” by the systems, and substantial monies for limited institutes and grants to many thousands of existing teachers for “professional development.” Moreover, the overall budget reductions inhibit UC/CSU resource shifts to increase numbers of teachers needed for current demand, much less for class size reduction in grades 4–12.

The total average cost of UC education for 2001–02 for a general campus student (using the methodology developed by the CPEC) is \$16,287. Of this amount, students pay on average 23% by way of tuition and fees. The general fund cross subsidizes the remaining 68%. For CSU, the average total cost is \$11,045, with student tuition and fees contributing 15%, and the general fund supporting 80%. These totals do not reach 100% because of alumni donations, foundation grants, research contracts, and

other sources of university income. The tuition portion of UC and CSU education remains relatively low.

As Table 7-G above indicates, the adjusted enrollment in California higher education is currently below 1989–90 levels. That is, roughly the same percentage of high school graduates had a place in the state's higher education system in 1989 as they do as proposed for 2002–03. Moreover, the enrollment growth that has occurred has not been financed. With only UC at Merced the major capacity expansion investment, schools have had to move to year round sessions, and larger classes to accomplish enrollment gain consonant with population growth. Even with those hidden costs, the proportion of students receiving higher education opportunity has not increased over the last decade, at a time when a high school diploma is insufficient to obtain assured employment in the evolving economy.

The CSU system is partly responding by tightening its admission criteria, now requiring a second year of college-prep lab science and history or social science and will take effect in 2003.

The largest single new program in the UC system is \$162 million for the continued development of the 10th campus at Merced (mentioned above). Another \$75 million a year for four years—starting in 2000–01—funds three new institutes for science and innovation, including a “Nano-systems Institute” at UCLA (functional devices smaller than a billionth of a meter), a Telecommunications Institute at UC San Diego, and a Biotechnology Institute at UC San Francisco. In current 2001–02 a fourth institute was added with \$33 million for a Center for Information Technology at UC Berkeley. The funding is expected to be matched 2 for 1 from private (e.g., corporate) sources.

The May Revise 2002 cuts the current year UC budget by \$116 million, with major reductions including \$32 million for research, \$29 million for information technology, instructional equipment, library materials, and deferred maintenance, and \$8 million to eliminate the UC College Preparatory Initiative. The budget also cuts \$51 million for the Professional Development Institutes described above which have been the cornerstone of the Governor's teacher quality improvement initiative. However, the May Revise notes that “instead of direct state funding, school districts will be able to utilize new federal funds from the No Child Left Behind Act.”¹⁵⁸

The CSU system suffers net cuts of \$22 million from current 2001–02. As with the UC system, a major cut is \$43 million in information technology, instructional equipment, library materials and deferred maintenance.

2. Community Colleges

The California Community College system provides general education at 108 community colleges through 72 local districts. They allow students the chance to gain entry to college by two years of college level performance and transfer. They also provide a wide variety of vocational training opportunities in fields ranging from police sciences to computer technician. By law, the community colleges are supposed to admit any Californian seeking admission who has graduated from high school, and may accept those who have not graduated but are over 18 and would benefit from instruction.

The Master Plan for Higher Education envisions this universal access as achieved through three missions: lower-division instruction for students who transfer to UC or CSU, occupational training for those seeking labor force entry, and basic skills instruction in language and computation.

The CCC system currently serves 1.06 million students, and is projected in 2002–03 to have an enrollment of 1,094,006. As Table 7-L indicates, total funding represents a 1.7% adjusted decrease from current spending. The budget does not accommodate cost of living increases, or enrollment growth—although both are projected. The account suffered an unexpected reduction of \$126 million through a Governor Davis veto of legislation for the current budget, including a \$98 million proposed cut for maintenance programs and instructional equipment. However, it was substantially restored following a storm of protest. Instead, the Governor replicated his budgetary approach for K–12 in his May 2002 revise by delaying during the current year payment of \$115 million, which will be paid in July—the first

month of fiscal 2002–03. This tactic is used because community colleges are within the Proposition 98 umbrella—which covers K–14 (13 and 14 consisting of community colleges). Hence, to meet the Proposition 98 constitutional minimum for 2002–03, he chose to move \$115 million from one year to the next on paper. The actual spending is substantially unchanged, and is accurately reflected in the January numbers of Table 7-L below. The most important substantive restoration in the May Revise 2002 is \$20 million for CalWORKs training, raising the account back to its \$40 million current year level.

Tuition for California’s community colleges (CCC) is proposed to remain at its current \$12 per credit level, among the lowest in the nation. However, the number of students able to attend depends on enrollment capacity, which turns on revenue amounts budgeted.

	1990-91	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
General Fund	\$1,793	\$1,600	\$1,871	\$2,108	\$2,260	\$2,552	\$2,803	\$2,979	\$2,919
Local Property Taxes	\$791	\$1,348	\$1,336	\$1,423	\$1,488	\$1,585	\$1,711	\$1,855	\$2,002
Student Fees	\$72	\$167	\$164	\$167	\$160	\$155	\$155	\$162	\$167
Other	\$652	\$779	\$838	\$932	\$1,117	\$1,035	\$1,111	\$1,198	\$1,210
Total Revenue	\$3,308	\$3,894	\$4,209	\$4,630	\$5,025	\$5,327	\$5,780	\$6,194	\$6,298
Adjusted Revenue	\$5,003	\$4,646	\$4,830	\$5,193	\$5,480	\$5,669	\$5,942	\$6,194	\$6,096

Adjusted to deflator and 0–19 population (2001–02=1.00). Adjustments by Children’s Advocacy Institute.
 Source: Governor’s Budget Summaries. Dollar amounts are in \$1,000,000s.

TABLE 7-L. Community College Revenue Sources

A March 2000 Little Hoover Commission report bemoaned high turnover among students and the unfulfilled master plan promise of universal access, concluding: “Barriers to access are numerous. Funding caps limit the number of students admitted and semester-based schedules discourage people already in the workforce from taking classes. At Glendale College, 40% of admitted students do not enroll, most for reasons associated with how courses and services are offered...”¹⁵⁹ The Commission noted that retention of students is difficult and that counselors needed to help guide students toward employable skills are too few and are overwhelmed: “At Sacramento City College, the student counselor ratio is 1,500 to 1.” In addition to the grants of Table 7-M, the Student Aid Commission line administers a “State guaranteed loan reserve” currently at \$404.6 million for 2000–01. Federally guaranteed low interest or delayed interest loans remain available for students. These higher education loans are the most important financial resource making higher education possible for those who qualify.¹⁶⁰ Funding is based on seats filled at the start of a semester, encouraging enrollment rather than retention, and creating an educational system not based on successful job preparation outcomes. The Commission also found that student progress is also limited by college funding choices, which fail to supply enough English classes, while adding several classes to physical education and sports related curricula.¹⁶¹

The Commission recommended changing the funding formula stimulate the recruitment of the economically disadvantaged, promote course and degree completion, transfer successful students to four-year universities, and move students into high-wage employment.¹⁶²

Child advocates believe that over the next five to seven years, community college enrollment must increase substantially above population growth, and must accommodate and train for technical, engineering, business, or service employment another 500,000 to 700,000 enrolled youth within the next decade. And to stimulate course relevance, completion, and employability, spending formulae should be based on the four factors identified by the Hoover Commission. That is, spending should be divided into up-front investment based on enrollment, and back-end funding reward and expansion approval, based on number graduated or successfully transferred, number employed at self-sufficiency levels, and number of impoverished youth graduated.

Neither the current budget nor the Governor's proposed budget reflect such reforms, and both expand enrollment by only 3%, close to population growth, and below youth population growth now before us. Moreover, funds are not provided for any capacity growth, requiring additional students to be accommodated through twelve-month scheduling, and class size additions.

3. Student Financial Aid

The state is one of several sources of student aid, accounting for about 15% of what students receive. From all sources, including loan interest forgiveness, the state has estimated students received over \$5.5 billion in total aid currently. Higher education opportunity for most of California's youth now depends mostly on increasing slots, more scholarships, and—most important—access to deferred student loans. Currently, 66% of students in the UC system and 47% in the CSU system receive some form of student aid.¹⁶³ In order to stay even with population and inflation, financial aid must increase by 5%–7% each year. In order to accommodate the evolving international labor market, technical skills and higher education are needed for a much larger share of the population. To accomplish that transformation requires financial aid assistance which outstrips tuition and population growth by a large margin.

Table 7-M presents total state financial aid to California's students. It includes grant programs administered by the UC and State College, and community college systems, respectively, and an overall system of need based "Cal Grants" administered by the Student Aid Commission. Those grants are primarily Cal Grant As and Cal Grant Bs, with the latter paying for one year of community college tuition, costs, and a small cost of living stipend of up to \$2,300 per year.

	1992-93	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
UC	\$130,704	\$180,700	\$195,481	\$196,427	\$212,299	\$226,864	\$234,054	\$240,498	\$223,498
Cal State	\$84,989	\$110,047	\$114,588	\$115,974	\$120,527	\$127,386	\$131,618	\$135,563	\$121,063
Community Colleges	\$28,291	\$94,050	\$100,486	\$101,636	\$95,275	\$85,928	\$86,706	\$91,041	\$93,772
Student Aid Commission	\$142,831	\$230,523	\$257,670	\$282,228	\$334,795	\$376,850	\$473,546	\$555,980	\$721,488
Total	\$386,815	\$615,320	\$668,225	\$696,265	\$762,896	\$817,028	\$925,924	\$1,023,082	\$1,159,821
Adjusted Total	\$527,878	\$734,182	\$766,856	\$780,992	\$832,023	\$869,430	\$951,840	\$1,023,082	\$1,122,647

Adjusted to deflator and 0–19 population (2001–02=1.00). Adjustments by Children's Advocacy Institute.
Source: Governor's Budget Summaries. Dollar amounts are in \$1,000s.

TABLE 7-M. Total Student Financial Aid Grants

The total grant funding of Table 7-M increased substantially at the beginning of the 1990s as much larger tuition increases were being imposed. From 1994 to 1999–2000 this spending increased only marginally above inflation and population gain. Then starting in 2000–01, substantial increases of over \$97 million were made to increase funds available for Cal Grants, with another \$83 million added in the current year. However, the promise of substantial new scholarship funding through Cal Grant expansion—perhaps the single most important commitment by the current Davis administration and state legislature for youth—has not fully fulfilled its promise. Although grant monies were increased, the bureaucracy administering the program, as well as many California schools, did not assist youth participation. Rather, paperwork barriers were erected resulting in rejections, difficulties and substantial underpayment. Partly due to these continuing problems, the May Revise changes the January numbers in Table 7-M, reducing Student Aid Commission (Cal Grant) current year funding by \$10 million and proposed 2002–03 spending by \$79 million, and bringing it to a small 3% increase over current year funding—a slight reduction adjusted for population and inflation.

The increases which have occurred in the Student Aid Commission line of Table 7-M occurred as a result of a deal between the Governor and legislative leaders. The Governor insisted upon funding his \$118 million for California merit-based scholarships (\$1,000 to public school 9th, 10th, and 11th graders who test on the STAR examination in the top 10% in the state, or in the top 5% in their school, without need qualification). He also insisted on \$2,500 scholarships for students who receive high scores on Advanced Placement, Golden State, or International Baccalaureate math and science exams.

Criticism of the Governor's student award program for high test scores (see discussion above) was reflected in legislative opposition. Legislative critics, including large numbers of Democrats, viewed the broad grant of awards as a political money giveaway program to large numbers of youth who do not need the money nor an additional incentive to prepare for tests. Instead, legislators argued that in 1999, 136,000 low income students qualified for the primary state scholarship award available—Cal Grants. But only 55,000 received help due to funding limitations. The Governor's initial year 2000 legislative proposal would have funded 78,000 more of them at \$77 million. The year 2000 May Revise position of the Governor would have covered only 25,549, leaving over 50,000 qualified youth unfunded

Responding to the criticism of the merit grants, the Governor agreed to add \$72 million for traditional "Cal Grant" scholarships based primarily on financial need and insisted upon by legislative leaders as a precondition for the Governor's high test score awards. The Legislature then double-joined that measure (SB 1788) with the Governor's merit scholarship plan (SB 1688), meaning one will not take effect unless the other also passes.

On September 11, 2000, the Governor signed the two joined bills. The Cal Grant legislation expanded the program to cover additional unfunded youth, and will cost a projected \$1.2 billion level when fully implemented in 2006 (SB 1644, Ortiz).¹⁶⁴ The Cal Grant has three major variations: (1) Cal Grant A pays up to \$9,703 for tuition at a public or private university to students who maintain a B (3.0) average to retain it. (2) Cal Grant B applies to low-income students who graduated from high school with above a C (2.0 average) and provides up to \$1,550 for books and expenses the first year (usually a community college) and in a second year up to \$9,703 for students attending a four year college (see also the California Community College Transfer Award for community college students with a GPA above 2.0); (3) Cal Grant C provides maximum tuition and fees of \$2,592 and a maximum \$530 book allowance for vocational or occupational training. Cal Grant T provides tuition and fee funding for teacher credentialing student costs, up to \$9,703. Payments are limited to one year and a recipient must now agree to teach for one year at a low-performing school for each \$2,000 in incentive payment received up to four years. Those who renege are obliged to repay the tuition assistance. In addition, a new Cal Grant A/B award may apply to "second chance" students who are returning to school after some interruption after high school (*e.g.*, as adults). To be qualified for the grants one must be from a lower income family, *e.g.*, grant A below \$64,100 for a family of 4, grant B below 33,700, etc).

This Cal Grant expansion is important. It is not merely a matter of appropriations increase, the measure recasts Cal Grants from a program limited by annual appropriation amounts to a defined entitlement—all eligible students who are below the income limits, obtain enrollment, and maintain required grades are entitled to tuition or other grant amounts allowed. However, note that the 136,000 currently qualified for Cal Grant awards represent less than one-third the number experts estimate need help with higher education expenses—a figure now placed at 380,000 students.¹⁶⁵

On April 16, 2002, the California Student Aid Commission announced the award of 64,600 Cal Grants for 2002, substantially below the 90,000 projected and the much larger number needing help. The reasons for the shortfall include: lack of outreach, assuming all those approved for grants would

be attending school and receive it (and cutting approvals accordingly below appropriation levels), paperwork errors in the Commission's forms leading to rejections, and high school failure to send in required grade reports.

Most important, the benefit of Cal Grant expansion is limited by the continuing failure to expand higher education capacity faster than population growth. Higher education may be blocked where there is an enrollment slot but no ability to pay tuition or attend, and it may also be blocked if there is an ability to pay, but no enrollment slot. As discussed above, some increase in higher education capacity is occurring, but not nearly enough. If slots are increased and Cal Grant coverage enlarged concomitantly, the state will have provided meaningful educational opportunity for her youth. That needed capacity investment will in turn require a doubling of the Cal Grants program as now operated, and another doubling of total appropriations. The Governor has responded to this problem with an augmentation of \$8.6 million in general fund spending in his May Revise 2002 for the California Student Opportunity and Access Program (CalSOAP) which is charged with just such an outreach and facilitation task.

In addition to the grants of Table 7-M, the Student Aid Commission line also administers a "State guaranteed loan reserve" currently at above \$400 million. Of particular interest is the Assumption Program of Loans for Education (APLE), which allows students who pursue teaching careers to receive up to \$19,000 in loan assumption payments toward outstanding student loans (over four years), where a student teaches for that time period or more. Participants teaching in special education, math or science get an extra \$1,000 a year for prior loan repayment, and those teaching in low performing schools also get an additional \$1,000 per year bonus. The 2001–02 includes 6,500 such annual "warrants" to be issued. The 2002–03 budget proposal includes \$10.6 million in additional general fund monies for loan repayment to students who have already entered the teaching profession. Educators and child advocates contend that this type of program is more likely to yield effective results in adding to competent teacher supply than the more indirect disbursement of tens of thousands of small grants or bonuses to student test takers, or to persons already teaching.

Federally guaranteed low interest or delayed interest loans also remain available for students. These higher education loans are the most important financial resource making higher education possible for those who qualify (see discussion of Pell Grant and related spending levels above).

Child advocates do not propose the extension of free public education through four or seven years of schooling beyond twelfth grade. But extension of free education to the first two years of higher education, particularly vocational, technical, and community college, warrants consideration. Twenty years ago, the high school diploma was an important entry key to employment; as minimum preparation for jobs changes, our provision of opportunity for children warrants corresponding adjustment. At the least, the school financing system should create a unified, rationalized program of grants, scholarships, and loan assistance so no child who has earned entry on the merits to any institution of higher education must forsake that opportunity because of the economic condition of his or her family.

4. Federal/State Tax Benefits for Higher Education

The most far-reaching Republican proposal enacted is a tax credit savings account proposal, enacted in 1998 but then vetoed by the President. It was reintroduced and is now law. It allows family members, charitable groups, or private donors to contribute as much as \$2,000 per year to a special "savings account" for each student of K–12 age. Interest and money contributed and withdrawn for education related expenses, including tutoring, computers, and private school tuition would be tax free. The account would cost the government \$1.6 billion over ten years and would be phased out for those earning more than \$95,000 per year. Unfortunately, the proposal's tax-

based structure is not “refundable,” and would not help the population of impoverished children most in need. Foundations do not need the tax incentive to provide support for education. The beneficiaries of virtually the entire subsidy would be those parents in high tax brackets, from \$40,000 to \$100,000 per annum in taxable income (usually \$60,000 to \$150,000 in gross income) and their children.

New tax rules approved in 2002 exacerbate the disparity in opportunity between the middle class and those earning under \$25,000 per year. Under what is termed a “Section 529 Plan” gift taxes that normally apply beyond \$11,000 per year do not apply to monies up to \$55,000 contributed to such a plan in the first year. It is considered a gift made over a five-year period where given by a family member for a child under 18 and later used for education (or for a single person for his own education). Further, such educational use is not confined to tuition or expenses, but includes room and board. These funds are tax deferred, accumulate without taxation, and then may be spent tax free (they are taxed according to the income of the student).

Another tax change allows the Uniform Transfer to Minors Act (UTMA) for parents to set up education accounts in the names of their children, the funds then become the child’s to use at age 21 whether attending school or not. Also, parents and grandparents can move up to \$50,000 per year into a child’s college plan without incurring estate taxation.

However all of these tax benefits have a common element: they provide little assistance to impoverished children. None of these tax incentives are “refundable.” They merely offset or delay personal income tax liability. As discussed in Chapters 1 and 2, the parents and other relatives of impoverished children pay a higher percentage of their income in state and local taxes, but primarily sales and other taxes, not taxation of personal income. Accordingly, the child population most in need of assistance for upward mobility receives little benefit from these subsidies. While child advocates support tax benefits for higher education, they should be designed to allow broader coverage, and focus on the population needing assistance for genuine opportunity.

5. Federal Higher Education Budgetary Changes: 1998–2002

The Clinton Administration won enactment of three changes in law or budgetary program relevant to higher education in 1998–99. All are relevant to the current and proposed budgets:

- ◆ Low interest rates on student loans (below 7.5%) were extended until 2003–04.
- ◆ Gear Up Grants. \$120 million appropriated for competitive grants to colleges that partner with schools to tell impoverished families about available financial aid and to provide long term mentoring and other assistance to help their children enter college.
- ◆ High Quality Distance Education. This program includes the Learn Anytime Anywhere Partnership (LAAP) initiative, and expands student aid to distant learners. Again, competitive grants are given to “partnerships” between schools and other entities to explore innovation in learning through the Internet, software, or other device. The emphasis is on higher education for those otherwise unable to receive it (full-time workers, those in rural areas, disabled students).

Although federal agencies spend substantial sums for higher education research (from agricultural to military related), three major ongoing federal higher education programs provide loan and related assistance for students. These accounts are Federal Pell Grants—at \$1.17 billion for 2001, and \$1.25 billion for 2002; Federal Supplemental Educational Opportunity Grants—at \$73 million in 2001 and \$77 million for 2002; and Federal Work/Study Payments—currently at \$111 million in 2001 and unchanged for 2002. Total new spending increases at 0.6%. Adjusting for California population and inflation, the 2002 budget reflects a 2.3% reduction.

C. K–12 and Higher Education Capacity Expansion: Bond Financing

Many of California's schools lack proper facility maintenance or upgrade. A substantial number have warranted renovation for more than a decade. The recently reduced class sizes for K–3 have placed new burdens on outmoded and undersized plant and equipment. In addition, during the next five years an estimated 12,775 classrooms and 331 new schools must be built to accommodate population growth—without further class size reduction. Education experts contend that as much as \$65 billion will be needed to expand for population growth and class size reduction to better than the national average.

In addition, as discussed above, higher education capacity needs substantial expansion in order to accommodate the population bulge ("Tidal Wave II") now arriving at higher education institutions, but also to give a higher percentage of youth training in the skills necessary for employment given the international economy.

1. K–12 Bond Financing

K–12 bond financing is generally subject to a local approval vote and match from state-provided general obligation bonds. In November 1998, the voters passed Proposition 1A, which provides \$6.7 billion in additional general obligation bond financing for K–12 schools from 1998 to 2002, and assisted by the Legislature's passage of SB 50 to streamline bond money allocation.¹⁶⁶ The total included defined ceilings for each of four categories of investment: \$2.9 billion for new construction, \$2.1 billion for modernization, \$1 billion for hardships, and \$700 million for new classrooms to implement the K–3 class size reduction initiative started in 1996 (in many cases, providing new regular classrooms to move students schools out of trailers and temporary facilities hurriedly constructed).

One-half of the \$6.7 billion total (\$3.35 billion) was available in 1999–2000, and the remainder after, from July 1, 2000 to July 1, 2002. Of the first two year grouping of \$3.35 billion in Proposition 1-A funds (available through July 2000), \$2.57 billion was allocated by January 2000, distributed as follows: \$981 million for new construction; \$793 million for modernization; \$337 million for financial hardship; and \$456 million for class-size reduction. No funds were available for class room reduction from this critical fund through July 2002.

The Department of Finance projects 50,000 new K–12 students need to be added each year to 2009. The Little Hoover Commission identifies three southern California counties which, when combined, will have more than half of that enrollment growth: Riverside, Orange, and San Bernardino.¹⁶⁷ The Department of Finance estimated in 2001 that beyond the school financing discussed above, the state needs another \$9 billion.¹⁶⁸ Independent of this estimate, the California Department of Education places the deferred maintenance and modernization investment needed for K–12 at \$2.6 billion and \$9 billion respectively by 2003, well beyond available monies under Proposition 1A. A study by the federal General Accounting Office found California's school facilities lagging the national average in every indicator used: roofs, heating-ventilation-air conditioning, lighting, physical security, and technology: computers, printers, modems, and (broadband) wiring for communications. California ranked 34th in heating-lighting-ventilation (quite low given the state's relatively temperate climate), and between 42nd and 51st (last) in every other indicator listed above.¹⁶⁹

In March 2000, the electorate rejected Proposition 26, which would have allowed approval of school bond measures by majority vote instead of the two-thirds vote currently required. Currently, 38 states allow the approval of school bond measures by majority vote. Only California and New Hampshire had a uniform two-thirds vote requirement. In the November 2000 election, the California electorate responded to these arguments and approved Proposition 39, which lowers the supermajority necessary to approval school bonds to 55%. A review of prior election results indicates a substantial number which failed to make the necessary 66.7% would meet the 55% threshold.¹⁷⁰

On May 11, 2001, the Office of the Legislative Analyst proposed a plan to expedite school construction by bumping the state outlay from a current 40% of construction costs up to 50% and by streamlining the approval process. These measures have led since November 2000 to local approval

a record 109 school district bond proposals, totaling \$11 billion. Bond interest rates are at an historical low level, making such bond financing timely.

On April 27, 2002, Governor Davis signed AB 16 (Hertzberg) to authorize \$25.35 billion in statewide educational bonds. In November 2002, \$13.05 billion will be placed before the voters, with \$12.3 billion to follow in March (the primary election) of 2004. Of this total, \$21.4 billion will be allocated to K–12 schools, and the remaining \$4 billion for higher education.

Although the new funding is significant and important, it amounts to approximately one-half the sum necessary to accomplish class size reduction in grades 4–12 to better than the national average. The total may be somewhat compromised by a \$12 billion general revenue state bond required in order to repay the general fund for energy purchased by the Department of Water Resources during the energy deregulation crisis of 2000–01. That \$12 billion applied to school upgrade and construction could fully computerize all classrooms, and provide much of the capital needed to lower class size in grades 8–11 where state test performance is extremely low.

2. Higher Education Bond Financing

Bond financing for the UC and CSU systems come from statewide sources and need not be matched locally. The state has two types of bonds: general obligation bonds secured by the general fund, and “lease-revenue” bonds. The latter are used for most building construction where a lease can be created, including office buildings and higher education and corrections construction.

Currently, the state’s outstanding lease-revenue bonds are dominated by corrections capital investment. Prison related debt now makes up 41% of lease revenue bonds outstanding. The UC system has received 17%, the CSU system 11%, and community colleges 9.5%.¹⁷¹ General obligation bonds amounting to \$15.4 billion are allocated primarily for higher education (12.1%), corrections (14.6%) and K–12 school construction (43.7%). The debt service costs to the general fund were \$1.865 billion in 1997–98, \$1.926 billion in 1998–99, and \$2.11 billion in 1999–2000.¹⁷²

Since 2000, the major outlay to add substantial enrollment capacity is the development of a the new campus at Merced scheduled to open in 2003, as discussed above. Capital expansion in 2000–01 and 2001–02 has been minimal. In the current 2001–02 year, the California State University expended most of its allocated \$82.1 million on “infrastructure improvements” rather than expansion, although projects at the Maritime Academy, Monterrey Bay, and San Marcos campuses will add modestly to enrollment capacity. The California Community College outlay of \$290 million funded seismic retrofit work, construction of campus centers, and no significant capacity expansion.¹⁷³

The proposed 2002–03 budget plans a minimal package of \$1.15 billion for all of higher education. This sum includes \$85.9 million for the UC system, including completion of UC Merced and ongoing projects (primarily replacement of aging facilities, renovation for fire and earthquake hazard), 259 million for CSU—mostly for replacing buildings and continuation of 20 previously approved projects., and \$169 million for community colleges, including the continuation of existing projects for fire, safety and seismic related work).¹⁷⁴ Except for the single new campus, little real capacity expansion is planned for the proposed budget year. The state’s higher education institutions must double up on facilities, suffer larger classes, and teach over a 12 month calendar in order to increase enrollment.

The new two year bond authorization discussed above includes \$4 billion for higher education. If approved by the voters, this sum could marginally expand capacity. Meanwhile, the March 2002 election brought bond approval by the voters for 13 of 14 community college districts with bond proposals on the ballot. Since community colleges are locally based as part of the local government “special district” system, they can locally generate such bond financing (unlike the UC or CSU systems). The total amount approved in 2002 by these 13 local votes was \$2.3 billion. However, much of the bond revenue will be needed for maintenance and repair of existing buildings. Substantial additional funding beyond this \$2 billion, or the \$4 billion authorized for statewide bond propositions discussed above will be needed for capacity expansion to meet population growth and economic need. Actual capital investment

to assure future employment of youth could justify \$20 to \$30 billion in new construction bond funding—similar to the amount scheduled for K–12. The new K–12 students generating the \$21 billion in planned expansion for elementary, middle and high schools will require higher education; as noted above, and a higher percentage will require that advanced training than the state's higher education system currently provides.

III. SUMMARY AND RECOMMENDATIONS

The Governor's 1999–2002 education program has some important strengths. Many of the specific proposals are supported by child advocates as indicative of promising and innovative leadership. In particular, the Governor's stated priority for impoverished children and underperforming schools, and his interest in improving teacher quality win widespread support. Similarly, his concepts are directed at holding schools accountable in some measure. Much of his 1999 outline is roughly replicated in the Republican proposed Leave No Child Behind Act as outlined above. Perhaps most important, the state's enactment of SB 1644 in 2000 for Cal Grant expansion signaled a major commitment to assisting impoverished children afford at least higher education tuition. At least on paper, the program now offers entitlement help to low income children and families and could provide \$1.2 billion in such help by 2006.

However, critical deficiencies inhibit what could otherwise be a genuine change in the prospects of California's children, including the imprudent spending of many millions on awards and stipends of dubious connection to educational result, the failure to fund other programs to scale—particularly those promising to increase certified teacher supply, and substantial reductions in current year/proposed year funding. The last includes the diversion of most of the new federal Leave No Child Behind Act \$738 million for 2002–03. Two major failures persist from previous years: (1) no significant class size reduction for grades 4–12 in the face of extremely low high school test results and placing California last by a substantial margin nationally in class size overall, and particularly after grade 3. (2) No significant higher education capacity expansion to allow additional youth higher education opportunity on a scale needed to assure them jobs in the future. The overall disinvestment has been exacerbated by accounting devices which accomplish substantial cuts beyond those facially described. Other deficiencies include a failure to use education to address root problems, particularly the Governor's veto of parenting education measures—perhaps the single most long run cost-effective investment.

A. Consequences

One long-range consequence of education disinvestment can be seen in the condition indicators presented in Chapters 1 and 2. In California, long-term abandonment of commitment to public education correlates with the reduction of the middle class, and the creation of a small highly wealthy group at the top and the decline into poverty of millions of persons from the lower middle class. Although one cause of this regression has been unwed births, another has been unemployment, and a growing mismatch between jobs capable of allowing the non-subsidized liveable wage for a family and graduates qualified for those jobs.

Higher TANF rolls, cut-downs, and cut-offs of hundreds of thousands of children from a once-assured safety net for shelter and nutrition will have the most momentous consequences. Under-nourished children with underdeveloped brains will be more difficult to train when and if adequate investment in education occurs. A society which has more motor vehicles than licensed drivers, more wealth than most jurisdictions on earth, and which has seen fit to invest in the rebuilding of Europe after World War II, has not invested in its own children. Instead, the wealthy have largely removed their children from the public school system, and increasingly treat those who are poor as outcast discards from some other tribe. They are not worthy of investment because their own decisions have somehow led them to their plight.

Chapters 8 and 9 present the long-run consequences of disinvestment in children: they become impoverished and unemployed parents. The data above indicate a clear relationship between education

and poverty. Chapter 8 indicates the high correlation between poverty and child abuse and neglect. The PRA welfare reform changes will likely add a new population suffering from involuntary neglect—parents who cannot shelter or feed their families. Chapter 9 presents the juvenile justice accounts and indicators. These children become adults as well, and where the number of incarcerated state prisoners has increased from 19,000 in 1977 to over 260,000 currently, the consequences involve momentous social cost. Projecting current trends for another twelve years indicates that half of the discretionary spending within the state budget will be allocated to incarceration-related costs.

Employment for these future parents rests with investment in their preparation for jobs available in the 21st century. That investment is not occurring. It requires increases beyond inflation and population. We must change the proportion of skilled technicians, craftspersons, and professionals, doubling their relative numbers. The failure to do so yields the result now apparent—a permanent underclass, wasted human resources, and expanding prison populations.

Education spending is the long-range answer for employment and middle-class expansion. It is the most effective anti-crime weapon we have—people do not destroy a society in which they have a future and a stake. We have invested little-discussed billions of dollars in infrastructure for adult interests: rural electrification, highways, agricultural water projects, space exploration, military bases throughout the world, and baseball stadiums. It is unclear why any of these is entitled to greater priority than the education of our children.

B. California Children's Budget Recommendations

Recommendation #1. The state should reduce class sizes in all K–12 grades, phased with facility development, to bring California up to no lower than 10th in national per pupil spending average by 2005–06. Estimated 2002–03 cost: \$2.1 billion

The class size reduction infusion is important, but California remains near the bottom of the nation in class size due to large grades 4–12 classes. Overall, the state has increased per pupil spending only marginally. In order to bring California back to the national average, and reduce class sizes accordingly, another \$2.1 billion should be added this year—with most of it directed at reduced class size expansion for grades 4–12, starting with grades 4 through 8 and proceeding in planned stages. Accordingly, another \$3.1 billion should be added (above inflation and enrollment increase levels) in 2002–03, and another \$3 billion above the new adjusted ADA level for 2003–04. The phasing in of these increases will allow facilities expansion and teacher training and hiring to go forward on an urgent but phased basis. Such planned increases are preferable to requiring a single group of schools (e.g., first grade in 1996) to expand suddenly and without proper preparation upon pain of state subsidy loss. Further, subsidies based on enrollment should be allowed to roll over to two subsequent years to encourage planning, and targets should be 18 students per class, with extra subsidy where that target is met, and flexibility allowed for individual classes up to 22 students so long as school-wide averages remain at 20.

As discussed in the recommendations of Chapter 1, the state should create a \$12.4 billion “Child Advancement Fund” from existing and proposed revenue sources, generating \$3.1 billion in Proposition 98 funds for K–12 education and community colleges. Of this, \$2.1 billion should be allocated for K–12 purposes in the 2001–02 school year. After three years of real spending addition to 2003–04, as suggested above, the funding proposed would bring California up over 18% in per pupil, inflation-adjusted spending, and to above the national average.

Instead of Proposition 98 levels serving as a ceiling, public officials should regard the national average as a floor. Such an investment does not involve major sacrifice, but close to the percentage of personal income allocated for education in 1989. It will allow smaller classes, and allow the technological upgrading of schools.

Recommendation #3. Eliminate All Awards and Stipends Unless Independent Evaluation Verifies Their Benefit-Cost Merit. Estimated cost: Savings of \$650 million.

The student high test rewards should be terminated forthwith. Similarly, the pattern of large bonuses to teachers and administrators where schools perform well in a single year of test results is of marginal benefit. Test scores vary year to year for many reasons. Where a teacher or school has achieved a sustained record of gain over three to five years, and where such rewards are independently evaluated as an effective incentive, such programs should continue. Similarly, giving substantial sums to large numbers of teachers for professional development (compensating them well for professional days in training) should be examined and subject to similar benefit - cost scrutiny.

Recommendation #4. Target Low Performing Schools with Intensive Assistance or Takeover. Estimated cost: \$1.2 billion.

The current increase in assistance to low performing schools of \$400 per pupil may provide some marginal assistance. But more than a 6% of current pupil spending will be needed to pull problem students/schools up to a passing grade. In addition, the current assumption that no more than 50 schools will flunk and require takeover or other compelled reform does not portend a serious system of accountability as advertised. It would be preferable to select the lowest performing schools and apply \$2,000 per student in tutoring, smaller classes, teacher monitoring and training, than to spread small amounts to many schools where it never reaches a critical mass able to accomplish intended results.

Recommendation #5. Truancy/Drop out Prevention. Estimated cost: \$129 million

The statistical fate of a high school drop-out is bleak. It includes hurdles to employment and adequate income for a family, and a high incidence of adult incarceration. State budget accounts must give high priority to the prevention of truancy, the precursor of this high school failure. Further, half of the effort must focus on the area of highest abuse—elementary and middle schools. Incidence is higher and troubles start with truancy in the earlier grades—contrary to common perception.

Truancy prevention may require strong state action—including the kind of intervention in families which Americans traditionally eschew. The Monrovia tactic of citing youth not in school during the day is irritating to home-study children. The Los Angeles District Attorney's approach of civilly pursuing parents, to the point of compelled audience and even prospective criminal prosecution of parents for neglect of a child, is an extreme measure. The least intrusive method should be used—if successful. All should be funded and monitored to measure which work. Those that succeed should be generalized and funded statewide.

Recommendation #6. Parenting Education. Estimated cost: \$30 million per year

As discussed in Chapter 2, much public school parenting education occurs through home economics courses avoided by boys and occurring too late for many girls. Rather than a single course, several aspects of parenting should be reiterated in required curricula from seventh through twelfth grades. One aspect is the unabashedly value-laden message: Children cost money; they are important, more important than our immediate desires; they are best served by having two involved and committed parents from the start; they are properly intended, planned for, and saved for in advance. This simple message—now honored in the breach—is related to much of the misery and expense presented in the *California Children's Budget* year after year.

Beyond this seminal message, parenting education should make youth aware of the expense and hardship of parenting. It is not similar to television sitcoms, or to dolls, or to romanticized notions; it is hard and exhausting work.

And parenting education should teach the basic skills of parenting. Parenting is the most important personal and civic task we undertake. It affects almost every school child—most will become parents—but it is largely ignored as a subject for instruction. Interestingly, most child abuse experts now endorse the "Hawaii model" of child abuse intervention: a family whose profile matches possible abuse is visited at home by a personal tutor/caseworker who trains them how to parent in order to prevent

problems in advance. (See Chapter 8 for discussion of the Governor's prior and current proposals in this area.) Perhaps such one-on-one visitation tutoring is a wise investment, but many others need parenting skills—especially males. All students should be taught the basics: what children eat, basic illness symptoms, why babies cry, and health and safety issues ranging from “never shake a baby” to how to use a car seat. What we have learned about health and safety and child development should not be confined to Lamaze classes for the upper middle class.

Recommendation #7. Technology Competence. Estimated cost: from bond issuance plus \$200 million

Our schools have available a major asset for education: computers and the new educational CD-ROM software being developed. This instruction can be individualized to the pace of a student, allowing the quick to soar ahead, and the slower to stay on a subject until mastered. As recent data discussed above shows, California is beginning to modernize, but remains near the bottom of the nation in computers per child.

Experts agree that schools need high modem speed and wide band width connection to every classroom. Every child should have a high-speed computer available for use at least two hours per day from the first grade on. These computers do not replace teachers, but augment them by giving them 40 arms and 20 voices for part of the day.

The investment in computers must begin with the wiring of schools for interactive educational use. An optic line “spine” through each school can be accompanied by twisted wire and coaxial cable lines to make each classroom a window onto the Internet, providing access to classes from local universities and video field trips anywhere. Filters and channel selection hardware must be available at each school to assure local control of content apart from cable or commercial interests. The combination of cable and phone competition, satellite dish availability, and microwave facilities for reception from county offices of education instructional programming can all feed into the proper wiring of schools. The Digital High School Initiative is a start—but a small one. Only 300 to 400 high schools receive grants from it, and the amount is not sufficient to effectively equip a school. There are over 1,100 school districts in California. Every elementary, middle, and high school in the state should be wired and equipped, not a token share. Much of the cost could be accomplished through responsible city and county cable franchise agreements requiring individual classroom wiring as a franchise condition. Such requirements are currently lacking, allegedly due to cable law firm drafting of the standard agreements currently extant. But even with wiring in place, schools need assistance in hardware, filters, and software acquisition.

Recommendation #8. The state must act with urgency to immediately test and mitigate lead drinking water levels in schools. Estimated cost: \$25 million

Given the cumulative and sometimes permanent nature of lead contamination for young children, the fact that children drink 2.5 times as much water in relation to body weight as do adults, the many hours children spend in school, and the alarming findings of the Department of Health Services in its survey of elementary school drinking water lead levels, the state must do more than set “voluntary guidelines” and provide some funding for schools to draw upon to test water sometime during the 1998–99 year. It is unlikely that the casual and minimal response of the state would occur were the endangered group to be senior citizens, veterans, or the insurance or oil industries. The state should order the immediate testing of all drinking water in all schools—allowing no longer than 30 days for its completion—and foot the bill. The state should then establish a \$20 million fund to implement mitigation by whatever means necessary (reverse osmosis processing, new water supplies, or bottled water). The fund should not represent a cap, but the initial appropriation until the extent of mitigation necessary is fully known. There should be no cap, and funds should be appropriated as necessary to bring drinking water lead levels in schools to well below the federal “action level” guidelines.

Recommendation #9. Community College and Vocational School Monitoring and Expansion. Estimated cost: \$1.3 billion—\$1 billion for community colleges from

Proposition 98 funds; \$300 million for vocational schools

California has failed to expand its community college/vocational school investment commensurate with need. That failure will be leveraged into substantial harm to the children of TANF parents unable to obtain work. Over the past several years, the former Wilson administration considered the deregulation of vocational schools—based on the complaints of school owners. These institutions are depended upon to train large numbers of TANF parents for employment. Their failure to do so will condemn most of such TANF parents to cut-downs of their children to below 50% of the poverty level. Some such schools have historically taken advantage of the meager resources of poor parents seeking jobs by providing useless training, or education unrelated to employment opportunity. The state must monitor these schools with special attention to make sure its investment, and that of students, will realize an employment return.

The United States is losing much of her traditional assembly-line and other traditional blue collar jobs. In the long-run, only a substantial investment in areas of likely job creation will lower the number of future children who must rely on public assistance for their families. That investment must begin in earnest at the earliest opportunity, with phased and planned increases coordinated with careful tracking of future areas of employment demand.

Recommendation #10. UC/CSU Capacity Expansion. Estimated cost: \$2 billion

University and state college budgets should be adjusted to increase student enrollments by at least 5% per year *above* student population growth. Given the 5% necessary to “stay even” with inflation and population, these accounts should be growing by 10% per year over the next decade. Reallocation of tuition can accomplish some of this increase in place of total general fund reliance. For example, UC medical, engineering, and law students are currently subsidized by more than \$10,000 each per year. These are persons entering employment upon graduation at well above state median income levels. Rather than increasing this subsidy amount (as the Governor implemented), the subsidies could be reduced somewhat, and tuition raised. Such an increase should be counter-balanced with easier loan opportunities, delayed repayment plans, and loan forgiveness for public interest vocational choices.

The Governor's proposal to expend \$1,000 to the upper 10% at each school and upper 5% statewide will include many beneficiaries who do not need help, and offers only \$1,000 to \$3,000 to those who do need help.

The Governor's concept of a “compact” with the UC, CSU, and community college systems should be used to demand the same accountability he is properly demanding of K–12 teachers and schools. Funding for all three should not be based strictly on enrollment, but on graduation rates, percentage of impoverished children and youth enrolled, and success in achieving employment for graduates. The recommended expansion will require a major capital commitment to include expansion of current campuses, and the creation of new campuses for all three higher education systems.

Chapter 7

ENDNOTES

1. *Id.* at Appendix Table 2 at 12. Note that “near poverty” is defined as 185% of the poverty line, close to the minimum necessary for “self sufficiency” as discussed below.
2. Children Now, *Report Card '95* (Oakland, CA; 1995) chart at 9. See also M. Gittell, J. Fross, and J. Holdaway, Howard Samuels State Management and Policy Center, *Building Human Capital: The Impact of Post-Secondary Education on AFDC Recipients in Five States* (New York, NY; September 1993).
3. Jean Ross, Jesse Rothstein, California Budget Project, *Will Work Pay; Job Creation in the New California Economy* (Sacramento, CA; April 2000) at 5 and Table 3 at 15.
4. *Id.* at 12.
5. *Id.* at 14.
6. *Id.*, Table 8 at 19. These large groupings (educational levels) obscure other imbalances, e.g., the relative undersupply of college degrees in engineering (and other technical skills) in relation to liberal arts graduates for the job candidates with college degrees.
7. See Appendix (Table App. B).
8. California Department of Education, *2000–01 Private School Enrollment in California* (Sacramento, CA; March 2002). See also Policy Analysis for California Education (PACE), University of California at Berkeley School of Education, *Conditions of Education in California 1994–95* (Berkeley, CA; April 1995) at 12 (Figure 1.4) (hereinafter “*Conditions of Education*”).
9. EdSource, *How California Compares: Indicators and Implications for Our Public Schools* (Palo Alto, CA; 1998) at 1 (hereinafter “*How California Compares*”).
10. California Department of Education, Educational Demographics Unit, *Number of Dropouts in California Public Schools, Grades 9–12, by Grade Level and Ethnicity for the Year 2000–01* (Sacramento, CA; 2002). See also Department of Education, *Statewide Profile* (Sacramento, CA; 2000) at 6 (“Drop outs by Ethnicity”) (available at www.ed-data.k12.ca.us/state/statewideprofile97.asp?ReportName=1&FYR=) (hereinafter “*Statewide Profile 1999*”); see also *Conditions of Education*, *supra* note 8. Drop-out rates have historically been calculated based on missing students where transcripts are not requested from a subsequent school. Because not all schools seek transcripts from the former schools of new students, historical percentages of above 30% have been artificially inflated.
11. For a discussion of this dispute, see Doug Smith, Richard Lee Colvin, *State’s Graduation Rate Is Among Worst in U.S.*, L.A. TIMES, June 8, 1999, at A-1.
12. See Susan Herendeen, Dropout Numbers Inaccurate, Group Says, SAC. BEE, April 19, 2002. The calculation by California Parents for Change attempts to take into account students who leave the jurisdiction, transferred to community college without a high school diploma, died or were incarcerated, the state’s limited percentage. While the predicted percentage may be somewhat inflated, it is clearly closer to the actual high school completion/non-completion rate than is the measure used by the Department of Education, which assumes that departed students register elsewhere.
13. See California Department of Education, Educational Demographics Unit, *Number of English Learners in California Public Schools, by Language and Grade, Ranked by Total, 2000–01* (Sacramento, CA; 2002) and *Statewide Enrollment in California Public Schools by Grade, 2000–01* (Sacramento, CA; 2002).
14. *Id.*
15. *Conditions of Education*, *supra* note 8, at 96–97.
16. California Department of Education, *Number of English Learners in California Public Schools, by Language and Grade, Ranked by Total, 2000–01* (Sacramento, CA; 2002) (available at <http://data1.cde.ca.gov/dataquest/>).
17. California Department of Education, *Statewide Enrollment in California Public Schools by Ethnic Group, 2001–02* (Sacramento, CA; 2002) (available at <http://data1.cde.ca.gov/dataquest/>).

18. California Department of Education, Special Education Unit, *California's Special Education Statewide Enrollment Data* (Sacramento, CA; 2002).
19. See Gene V. Glass and Mary Lee Smith, Far West Laboratory for Educational Research and Development, *Meta-Analysis of Research on the Relationship of Class-Size to Achievement* (San Francisco, CA; 1978). See also Gene V. Glass *et al.*, *School Class Size: Research and Policy*, Sage Publications (1982); Barbara A. Nye *et al.*, Tennessee State University, Nashville Center of Excellence, *The Lasting Benefits Study* (1991); Helen Pate-Bain *et al.*, *Class Size Does Make A Difference*, PHI DELTA KAPPAN (November 1992) at 253–56.
20. See National Center for Education Statistics, *Overview of Public Elementary and Secondary Schools and Districts: School Year 1999–2000* (Washington, D.C.; Sept. 2001). The figures presented were calculated by averaging the ratios for each state at the primary, middle, and high school levels. Data was not provided for Massachusetts, Tennessee, and Virginia.
21. See Figure 7-F.
22. Note that the laudable recent reductions follow such a lengthy and deep disinvestment in public education by the state that the effort thus far will move California from 51st to 50th in the nation in class size, moving it ahead of only Utah.
23. See EdSource, *California's School Principals: At the Source of School Improvement Efforts* (Palo Alto, CA; March 1998) at 5 (presenting 1997 data from the National Center for Education Statistics) (hereinafter "*California's School Principals*").
24. Data compiled by the Children's Advocacy Institute from College Board, *AP Library: State and National Summary Reports* (available at www.collegeboard.com/ap/library/summary_rtps.html); see also California Department of Education, *Advanced Placement Data for California, 2000* (Sacramento, CA; 2000) at Chart 6 (hereinafter "*CDE Test Data*"); see also California Department of Education, *California High School Performance Report 1996–97* (Sacramento, CA; 1998) (www.cde.ca.gov/ftpbranch/retdiv/epic/hspr96-97/) and *California High School Performance Report 1995–96* (Sacramento, CA; 1996) (www.cde.ca.gov/ftpbranch/retdiv/epic/hspr95-96/).
25. *Id.*
26. *CDE Test Data*, *supra* note 24, Chart 6. The Hispanic rate has increased from 1.2 in 1984–85 to 6.8 in 1997–98 to 7.7 in 1998–99, *id.*
27. The College Board, *2001 College Bound Seniors: A Profile of SAT Program Test Takers* (2001) at Table A; The College Board, *2001 College Bound Seniors: A Profile of SAT Program Test Takers—California Report* (2001) at Table 1.
28. See California Department of Education, *California Learning Assessment System, Elementary Performance Assessment, Grade 4, 1994; Middle Grades Performance Assessment, Grade 8, 1994; High School Performance Assessment, Grade 10, 1994* (Sacramento, CA; 1994).
29. More detailed results were presented in chart form in *Proficient Readers*, L.A. TIMES, March 10, 1999, at B2.
30. Children's Advocacy Institute, *California Children's Budget 2001–02*, (hereafter "*Children's Budget 2001–02*") (San Diego, CA; June 2001) Chapter 7, Tables 7-E and 7-F at 7-10.
31. See Children's Advocacy Institute, *California Children's Budget 1999–2000* (San Diego, CA; June 1999) Tables 7-E and 7-F at 7-9, 7-10.
32. Slightly different numbers of students took different phases of the tests. The Table displays the number taking the reading test, usually the smallest total by a slight margin. For the results in greater detail, see California Department of Education, *STAR 2001 State Summary Report* (Sacramento, CA; 2001) (available at <http://star.cde.ca.gov>).
33. See *Children's Budget 2001–02*, *supra* note 30, at 7-10.
34. *Id.*
35. Edsource, *STAR 2000: Rising Scores and Some Widening Gaps* (November 2000) at 1-7.
36. Elizabeth G. Hill, Office of the Legislative Analyst, *Improving Academic Preparation for Higher Education* (Sacramento, CA; Feb. 8, 2001) at 4-7.

37. For discussion of test results and comments of state officials, see Thomas H. Maugh II, *U.S. Students Flunk Science Assessment*, L.A. TIMES, Nov. 21, 2001.
38. California Department of Education, *Eastin Releases California High School Performance Reports—Improvement Continues* (Sacramento, CA; 1998) at 1.
39. A survey of fifteen California private institutions yielded an average tuition of \$18,352. University of California tuition now averages \$3,903 now at 80% of the national average for comparable public institutions. *Id.* at 102 (Figure HIED-4).
40. See Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; Jan. 2002) at Figure HIED-2 (hereinafter "*Governor's Budget Summary 2002–03*").
41. See data gathered by Michelle Cadwell Blackston, *Wave of Would-Be Students Crashes Over Universities*, SAN DIEGO DAILY TRANSCRIPT, May 3, 2002, at 1.
42. U.S. General Accounting Office, *Reports and Testimony: August 1996* (GAO/OPA-96-11) (Washington, D.C.; 1996), citing *Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs* (Washington, D.C.; August 15, 1996).
43. *Governor's Budget Summary 2002–03*, *supra* note 40, at 150.
44. See Terri Hardy, *Tidal Wave II Opens at CSU*, SAC. BEE, Sept. 4, 2001.
45. In addition, lottery critics contend that the infusion of lottery money was accompanied by reductions in other education funding resulting in little to no gain from that source. See Elisa D'Angelo, *The California State Lottery's Contribution to Education: The State Learns to Deceive*, 11:1 CAL. REG. L. REP. (Winter 1991) at 1–11.
46. See the leading case of *Serrano v. Priest*, 20 Cal.3d 25, 141 Cal.Rptr. 315 (1976).
47. The Legislature and Governor never want to exceed the Proposition 98 minimum because that new level then becomes the base for the calculation of the minimum in future years.
48. Legislative Analyst's Office, *Proposed Settlement Agreement of CTA v. Gould* (Policy Brief) (Sacramento, CA; June 3, 1996).
49. See, e.g., the formula interpretation and future projections in Office of the Governor, *Governor's Budget, May Revision 1998–99* (Sacramento, CA; 1998) at 15 (hereinafter "*May Revision 1998–99*").
50. The state had ceded to local governments a share of local property tax revenue to compensate them for the impact of Proposition 13 on local budgets. The take-back of these funds amounted to one-third of the city and county property tax revenue relied upon by cities and counties as their major funding source.
51. See discussion of tax expenditure budget and new tax deductions and credits formulated during 1991 to 1999 in Chapters 1 and 2 above.
52. Office of the Governor, *May Revise 2002* (Sacramento, CA; May 2002) at 15–17.
53. *Id.* at 17.
54. Legislative Analyst's Office, *Class Size Reduction: A First Look at Implementation* (update) (Sacramento, CA; December 1996) at 1.
55. EdSource, *Smaller Classes for the Youngest Students* (Palo Alto, CA; June 1997) at 1 (hereinafter "*Smaller Classes for the Youngest Students*").
56. *Id.* at 3.
57. CSR Research Consortium, *Class Size Reduction in California: Summary of Findings from 1999–00 and 2000–01* co-editors Brian M. Stecher and George Bohrnstedt, California Department of Education (Sacramento, CA; Feb. 2002) at 4 (hereinafter "*Class Size Reduction 2002*") (see www.classsize.org).
58. *Id.* at 4.

59. EdSource, *Reducing Class Sizes in California: Year 2 Highlights* (Palo Alto, CA; February 1998) at 2 (hereinafter "Reducing Class Sizes Year 2").
60. Office of the Governor, *Governor's Budget Summary 1998–99* (Sacramento, CA; 1998) at 8–9; see also *May Revision 1998–99*, *supra* note 49, at 18–20.
61. *California's School Principals*, *supra* note 23, at 7.
62. *Class Size Reduction 2002*, *supra* note 57, at 2.
63. *Smaller Classes for the Youngest Students*, *supra* note 55, at 7.
64. See EdSource, *California's New Class Size Reduction Law* (fact sheet) (Palo Alto, CA; September 1996) at 1–2.
65. Former Governor Wilson's 1997 May Revision increased the incentive grant to \$800 per student in full-day, 20-student classes and \$500 for half-day. More significantly, the amounts were declared to be indexed to inflation for the future—a critical adjustment for long-range success. The incentive change also added more flexible funding for the addition of new classrooms. *E.g.*, under the policy implemented in 1997–98, schools may use up to one-half of their incentive \$800/student stipend to acquire more space. New bond measures for school construction were also proposed and have since been approved.
66. See a detailed discussion of this problem in Department of Finance, *A Performance Review Class Size Reduction Program* (Sacramento, CA; March 1998) at 24.
67. *Reducing Class Sizes Year 2*, *supra* note 59, at 2.
68. *Id.*; see also SB 1777 (Chapter 163, Statutes of 1996).
69. The difference may be exploitable by native English language students; the LEP population scored a much smaller gain of from 9%–10%, reflecting the threshold barrier language skills impose to learning and particularly to test performance. The impact of lower classes is being studied by Bruce Fuller of Policy Analysis for California Education (PACE); see discussion in Nick Anderson, *Smaller Classes Aid Test Scores, Results Show*, L.A. TIMES, Dec. 29, 1998, at A-1.
70. Penny Howell, *A Closer Look at California's Test Results*, EdSource (October 1999) at 7 (available at www.ed-data.k12.ca.us).
71. Brian M. Stecher and George W. Bohrnstedt, *Class Size Reduction in California: Summary of the 1998-99 Evaluation Findings*, CSR Research Consortium (June 2000) at 7–8.
72. *Id.* at 7.
73. *Class Size Reduction 2002*, *supra* note 57.
74. Office of the Governor, *Governor's Budget, May Revision 1999–2000* (Sacramento, CA; May 1999) at 21.
75. *May Revision 1998–99*, *supra* note 49, at 18.
76. EdSource, *Bilingual Education in California* (Palo Alto, CA; May 1998) at insert.
77. See 5 CCR 4304, 4306, 4311, 4312, discussed in Children's Advocacy Institute, C.H. REG. L. REP., Vol.3, No. 2 (2002) at 18.
78. SB 1448 (Hart) (Chapter 781, Statutes of 1992).
79. See Chapter 34, Statutes of 1998.
80. See Little Hoover Commission, *The Charter Movement Education Reform School by School* (Sacramento, CA; March 1996).
81. See Richard Lee Colvin, *School Voucher Fund to be Unveiled*, L.A. TIMES, June 9, 1998, at B-1, B-8.
82. Chapter 892, Statutes of 1991.

83. Chapter 742, Statutes of 1998.
84. See data released by Los Angeles School Board member David Tokofsky, Duke Helfand, *Schools Still Promoting Most Poor Performers* (November 30, 2000).
85. California Department of Health Services, *Lead Hazards in California's Public Elementary Schools and Child Care Facilities* (Sacramento, CA; 1998).
86. Lawrie Mott, Natural Resources Defense Council, *Our Children at Risk: The Five Environmental Threats to Their Health* (New York, NY; November 1997) at vii (hereinafter "*Our Children at Risk*").
87. *Id.* at 11.
88. *Id.* at 12, citing P. Mushak, *Prenatal and Postnatal Effects of Low-Level Lead Exposure: Integrated Summary of a Report to the U.S. Congress on Childhood Lead Poisoning*, 50 ENV. RES. 11–36 (1989); P. Baghurst, *et al.*, *Exposure to Environmental Lead and Visual-Motor Integration at Age 7 Years: The Port Pirie Cohort Study*, 6:2 EPIDEMIOLOGY 104–09 (March 1995).
89. *Our Children at Risk*, *supra* note 86.
90. *Id.* at 12.
91. General Accounting Office, *Lead Poisoning: Federal Health Care Programs Are Not Effectively Reaching At-Risk Children*, GAO/HEHS-99-18 (January 1999) at 3–5.
92. *Id.*
93. *May Revision 1998–99*, *supra* note 49, at 28.
94. California State Auditor, *Department of Health Services: Has Made Little Progress in Protecting California's Children from Lead Poisoning* (Sacramento, CA; April 1999) at 1.
95. *Id.*
96. Leslie Zellers, Children's Advocacy Institute, *Using Medicaid for Case Management in Lead Poisoning Cases* (Apr. 22, 1993).
97. *Healthy Children Organizing Project, et al. vs. DHS, et al.*, San Francisco County Superior Court, No. 313012, filed June 19, 2000. That case involves a challenge by Public Advocates Inc, and Bay Area Legal Aid of Oakland contending that DHS has failed to comply with the specific mandate of the 1991 statute. One contention is that the DHS regulations adopted in October of 2000 required physicians to test all children in Medi-Cal, Healthy Families, and CHDP (as discussed above). However, petitioners contended that no provision was made for enforcement. The lack of any consequences for non-compliance allegedly rendered them nugatory. On November 30, 2000, San Francisco superior court judge Ronald Quidachay issued an order supporting petitioners' factual contentions and requiring the Department of Health Services to adopt rules consistent with the law and including an enforcement mechanism with the monitoring/screening mandate now in effect.
98. California State Auditor, *Department of Health Services: Additional Improvements Are Needed to Ensure Children Are Adequately Protected from Lead Poisoning* (Sacramento, CA; May 2001) at 1.
99. Chapter 718, Statutes of 2000.
100. See H.R. 3734, Pub. L. No. 104-193, at § 408(a)(4) and (5).
101. See Office of the Governor, *Governor's Budget Summary 1997–98* (Sacramento, CA; 1997) at 100 (hereinafter "*Governor's Budget Summary 1997–98*").
102. California Department of Social Services, *Proposed Redesign of the Welfare System: Detailed Program Description* (Sacramento, CA; January 10, 1996) at 21.
103. *Id.* at 19.

104. *Id.* at 22.
105. *Id.* at 6.
106. See Chapter 1078, Statutes of 1998.
107. California Department of Social Services, *Temporary Assistance for Needy Families Characteristics Survey, Federal Fiscal Year 1998* (Sacramento, CA; 2000) at 34, Tables 18 and 19.
108. *Id.* at 15, Table N.
109. As of October 1995, there were 21,492 pregnant girls or parents under 19 years of age receiving AFDC (TANF); 8,895 attended school; 3,336 had graduated; 4,919 did not attend school, and there were no data for the remaining 4,342. See California Department of Social Services, *AFDC Characteristics Survey: October 1995* (Sacramento, CA; 1996) (combining Tables 31 and 32).
110. California Senate Office of Research, *Teen Pregnancy and Parenting in California: Background* (Sacramento, CA; March 1995) at 1–6.
111. *Id.*
112. "Sexually active" is defined as having had intercourse within three months of the survey. For citations and discussion, see Chapter 2 above.
113. *Serrano v. Priest*, 20 Cal.3d 25, 141 Cal.Rptr. 315 (1976).
114. See e.g., Sherry Parmet, *From Parents' Pockets: In Rancho Santa Fe and Elsewhere, Private Funds Bulk Up School Budgets*, SAN DIEGO UNION-TRIB., April 17, 2000, at B-1.
115. Jeannie Oakes, UCLA Graduate School of Education, *Remedying Unequal Opportunities for Successful Participation Advanced Placement Courses in California High Schools* (2000).
116. See Mary Perry, EdSource, *How Much is Enough? Funding California's Public Schools* (April 2000) at 7–12. Perry cites two studies on the issue of teacher qualification: CSR Research Consortium, *Class Size Reduction in California 1996–98* (1999) (noting that qualification measures may not always correlate directly with classroom efficacy of individual teachers); the SRI analysis found that percent of students receiving reduced price/free lunches (an indicator of poverty) correlated with percent of teachers who hold an emergency permit, credential waiver, or intern certificate. See also CSR, *The Status of the Teaching Profession* (1999).
117. See summary of poll results in Claire Cooper, *Pollster Sees "Formula" for School Failure*, SAC. BEE, May 1, 2002, at "Politics Section."
118. Patrick Shields, *Teaching and California's Future*, Center for the Future of Teaching and Learning (Santa Cruz, CA; Dec. 2001) *passim*.
119. For a presentation of some of this data and a detailed exposition of the problem, see Emelyn Rodriguez, *The Search For Qualified Teachers*, CAL. JOURNAL, April 2001, at 10-19.
120. *Id.*
121. *May Revise 2002*, *supra* note 52, at 22.
122. The Children's Partnership, *California Youth: Their Access to Computers and Technobgical Readiness* (Santa Monica, CA; July 1997) at 4 (hereinafter "Access to Computers").
123. See Sara Catania, *Schools Urgently Need High-Tech Tools, State Task Force Says*, SAC. BEE, July 10, 1996, at A4.
124. *How California Compares*, *supra* note 9, at 1.
125. *Access to Computers*, *supra* note 122, at 4.
126. *Statewide Profile 1999*, *supra* note 10, at 7.

127. See *Technology Counts '99*, EDUCATION WEEK MAGAZINE (September 1999).
128. *Id.*
129. See esp. Henry Jay Becker, Ph.D., *Who's Wired and Who's Not: Children's Access to and Use of Computer Technology, Children and Computer Technology*, The Future of Children, Packard Foundation, Vol. 10, No. 2 (Fall/Winter 2000) at 44-76, see also Executive Summary of Volume (see www.futureofchildren.org).
130. The Detwiler Foundation, *Computers for Schools Program* (1996).
131. Data provided by Universal Service Administrative Company (see www.sl.universalservice.org).
132. See respectively, www.ed.gov/offices/OVAE/CTC; www.ed.gov/prog_info/StarSchools/Index.html; www.ed.gov/teachtech; www.ed.gov/Technology/TLCF; www.ed.gov/Technology/challenge.
133. See AB 536 (Archie-Hudson) (Chapter 869, Statutes of 1995).
134. SBX 1 (Alpert).
135. SBX 2 (O'Connell).
136. ABX 2 (Mazzoni, Cunneen).
137. ABX 1 (Villaraigosa, Strom-Martin).
138. See discussion in Chapter 5 of the \$1.8 billion claim by school districts to state funding to pay for state mandated by unfunded special education recently settled by the state with a promise to pay \$520 million for past costs, \$270 million in the current year and \$25 million a year in each of the next 10 years. In addition, special education funding is increased by \$100 million per year, a 3.5% increase, starting July 1, 2001.
139. California Budget Project, *What Do the 2000 API Results Tell Us About California's Schools?*, (Sacramento, CA; March 2001) at 1-6 (available at www.cbp.org).
140. EdSource, *California's New Academic Standards Take Hold* (May 2001) passim.
141. *Governor's Budget Summary 2002-03*, *supra* note 40, at 129.
142. See Chapter 737, Statutes of 2001.
143. For example, if a school has an API score of 500, subtracting that total from the 800 target yields 300; 5% of that number is 15, creating a target of 515.
144. *May Revise 2002*, *supra* note 52, at 21. Note, for example, the January 2002 proposed budget schedules a total of \$110 million for the Mathematics and Reading Professional Development Program. The May Revise allocation of the federal funds notes: "\$78.3 million, for a total of \$110 million, for the Mathematics and Reading Professional Development Program." Similarly, the May Revise takes \$206.7 million to fund K-3 class size reduction, a reduction fully implemented by 2001 (see discussion above) and included in subsequent budgets, including the proposed 2002-03 budget as proposed by the Governor in January 2002.
145. Office of the Governor, *May Revise 2001* (Sacramento, CA; May 2001) at 14.
146. *May Revise 2002*, *supra* note 52, at 22.
147. The national average is \$685 per poor child. These funds flow from Washington directly to 46,000 schools—about one-half of those in the nation.
148. See full listing in Children's Advocacy Institute, *California Children's Budget 2001-02* (San Diego, CA; June 2001) at 7-44 to 7-50.
149. See Governor's cited total spending for programs listed in *Governor's Budget Summary 2002-03*, *supra* note 40, at 129-136.

150. *May Revise 2002, supra* note 52, at 17.
151. *Id.*, at 21-22.
152. *Id.*, at 27.
153. The federal education sum to California increases more than 2.9%, as Table 7-K indicates. The amount appears to be substantial over two years, with a rise from the current year to proposed 2002–03 of \$728 million. This increase differs from the slight decrease shown on Table 7-I due to the state's different fiscal year, and its inclusion of federal nutrition funds, and its exclusion of the Pell grant and other higher education monies in Table 7-K).
154. See Richard Kogan, *Under President's Budget, Education Funding Would Grow 5.3%*, Center on Budget and Policy Priorities (Washington, D.C.; April 25, 2001) at 2 (www.cbpp.org).
155. *Id.* at 1.
156. See discussion in Assembly Budget Committee, *Governor's 2001–02 Budget Proposal for Higher Education* (Sacramento, CA; January 2001) at 3-4.
157. This calculation uses the lower consumer price index projected at 1.8% and the child population estimate of 1.9% growth, see Table App.-A and Table App.-B.
158. *May Revise 2002, supra* note 40, at 27.
159. Little Hoover Commission, *Open Doors and Open Minds* (Sacramento, CA; March 2000) at viii.
160. *Id.*
161. *Id.*
162. *Id.* at xi.
163. *Governor's Budget Summary 1997–98, supra* note 101, at 95.
164. SB 1644 (Ortiz, Poochigian), see Chapter 403, Statutes of 2000.
165. See testimony of California Student Aid Commissioner Boek reported in Terri Hardy, *Despite Push, Cal Grant Funds Still Elude Some*, SAC. BEE, April 17, 2002.
166. Concurrent with Proposition 1A, the Legislature enacted SB 50 (Chapter 407, Statutes of 1998), which streamlined bond approvals for school construction. Schools are eligible for fixed matching grants based on 50% of average statewide construction costs, and a smaller fixed grant based on new pupil enrollment growth for modernization purposes. At the same time, the legislation limits local land use requirements on developers who have complained about confiscatory school related fees to win subdivision approvals.
167. Problems with that District led the Commission to characterize it as “a disturbingly dysfunctional organization,” and guilty of “persistent incompetence.” The Commission recommended its break-up into smaller districts and the creation of an independent authority to supervise construction in the area. It also advised stricter state oversight and greater state involvement in construction, particularly given the variability of the state's 1,100 school districts—some of which are too small to manage major projects easily. See Little Hoover Commission, *To Build a Better School* (Sacramento, CA; February 2000) at iii– ix.
168. Office of Legislative Analyst, *Proposition 26, School Facilities, Bonds, Local Majority Vote* (Sacramento, CA; 1999) at 3.
169. United States General Accounting Office, *School Facilities: Profiles of School Condition by State* (Washington, D.C.; June, 1996).
170. One count of school bond election results from 1986 to 2000 found \$16.5 million approved with a two-thirds vote, and \$5.3 million failing to obtain the required percentage. However, \$4.2 million of the \$5.3 million failing approval would have won approval at the 55% level. See California Budget Project, *California's Schools & Proposition 39* (Sacramento, CA; August 2000) at 3 (see www.cbpp.org).

171. Office of the Governor, *Governor's Budget Summary 1999–2000* (Sacramento, CA; January 1999) at 189. The percentages are based on indebtedness as of January 1, 1998.
172. *Id.* at 188.
173. Office of the Governor, *Governor's Budget Summary 2000–01* (Sacramento, CA; Jan. 2000) at 193–194.
174. *Governor's Budget Summary 2002–03*, *supra* note 40, at 262–63.

