

Chapter 7

EDUCATION

I. CONDITION INDICATORS

California's public education system is administered at the state level by the California Department of Education, under the direction of the Superintendent of Public Instruction and the State Board of Education, for the education of approximately 6.2 million students from kindergarten through 12th grade. At the local level, education is the responsibility of 983 school districts, 58 county offices of education, and approximately 9,087 schools. More than 301,000 full-time-equivalent teachers are employed in public schools statewide.

A. Education, Income and Opportunity

Over 2.6 million California children live below the 2003 poverty line of \$15,260 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, and 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, and an underclass projected 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. One recent study placed 43% of the state's children at levels at 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 2001, a male without a high school diploma earned a median salary of \$15,696 annually; a female earned \$9,085. A male high school graduate earned a median of \$26,217 per year; a female earned \$15,046. A male with a bachelor's degree earned a median annual salary of \$47,657; a female earned \$30,267.² 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. Over the 2000–10 period, employment in occupations requiring at least a bachelor's degree is expected to grow 21.6%; jobs requiring an associate degree are projected to grow 32%.³

Data from California underlines the importance of education beyond high school given recent job trends. From 1989–2001, the median hourly wage for workers without a high school diploma fell 10.7%, and the median hourly wage for workers with a high school diploma fell 5.5%. However, the median hourly wage for workers with some college increased 3.6%, and the median hourly wage for workers with a bachelor's degree or higher increased 10.4%.⁴

Also reflecting national trends, California data show manufacturing jobs falling from 20.8% of the labor force in 1979 to 12.6% recently. Low paying service industry jobs have grown from 21.5% to 31% but will level at 35% in 2005 according to projections.⁵ Overall, 27.7% of new jobs between 2000 and 2010 will have median wages below \$10 per hour, and 48.2% will be below \$15.00 per hour.⁶ But substantial growth in high-paying positions is also occurring for computer software application engineers (with a median hourly wage of \$38.58).⁷ 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 compensation rates 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 to lower levels. In 2000, 1.3 million job seekers without college degrees competed for a projected 430,000 new jobs (one job for every three seekers), while 108,000 college graduates sought 125,000 job openings requiring a post-high school degree.⁸ 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.

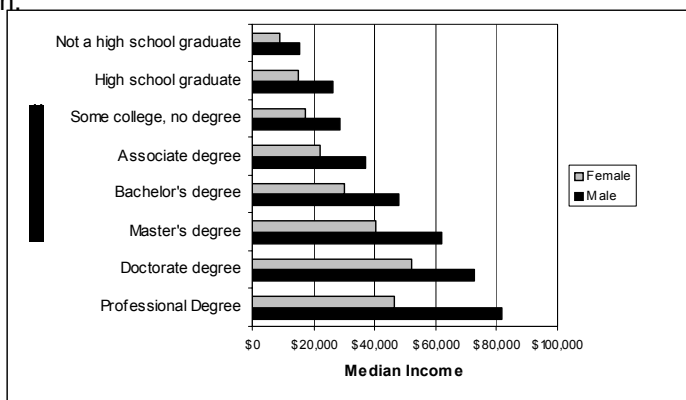


FIGURE 7-A. 2001 Median Income by Educational Attainment⁹

B. Attendance/Demographics

Enrollment. California’s current K–12 public school enrollment stands at 6.25 million children, an increase of 34% over 1989–90.¹⁰ Private and religious schools educate another 506,000 children.¹¹

Dropout Rate. The dropout 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 10.9% in 2001–02. However, experts believe that “cohort graduation rate” is a more accurate measure of dropout 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.¹² 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.¹³

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001–02	2002-03
Four-year rate:	20.0%	19.0%	18.5%	17.1%	15.3%	13.0%	11.7%	11.1%	11.1%	11.0%	10.9%	12.8%*

Source: California Department of Education
 * In 2002-03, the California Department of Education started using the National Center for Education Statistics dropout criteria.

TABLE 7-A. California High School Dropout Rates, 1991–2002

Complicating Table 7-A’s data is the view that it masks the actual dropout 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 dropout 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.¹⁴ One advocacy group looking at the 2000 dropout rate of 11% contended that the actual rate is 33.3%, with only 66.7% of students entering ninth grade four years earlier graduating in 2000.¹⁵

In 2002, the California Department of Education (CDE) adopted the National Center for Educational Statistics (NCES) dropout definition. The significant differences between CDE’s prior dropout definition and the NCES guidelines—and the expected impact of the change—are presented below:

CDE Definition	NCES Definition	Projected Impact on California’s Dropout Data of NCES Definition
Dropouts are reported on the CBEDS Information day if they have not been in school for 45 consecutive school days.	Student is reported as a dropout if he or she is not in membership on October 1st.	No Impact
Student is a dropout if he or she leaves the United States and is not known to be in school.	Student is not a dropout if he or she leaves the United States and are not known to be in school.	Depends on how definition is currently implemented and immigration patterns; may lead to a decrease
A student who has not graduated, has not completed the approved program, has not died and is not known to be in an educational program leading toward a high school diploma or it’s equivalent is a dropout	Student is an early college admissions student, one who transfers to a postsecondary program leading to a baccalaureate or associate’s degree is not a dropout	Small decrease in dropout rate
Transferred to and is attending any public or private educational institution and is in a program leading toward a high school diploma or its equivalent is not a dropout.	Student who is enrolled in an adult education program not administered by a regular school district is a dropout. (Also students who transfer to an adult education program administered by a regular school district and drop out are counted as a dropout	Significant increase in dropout rate

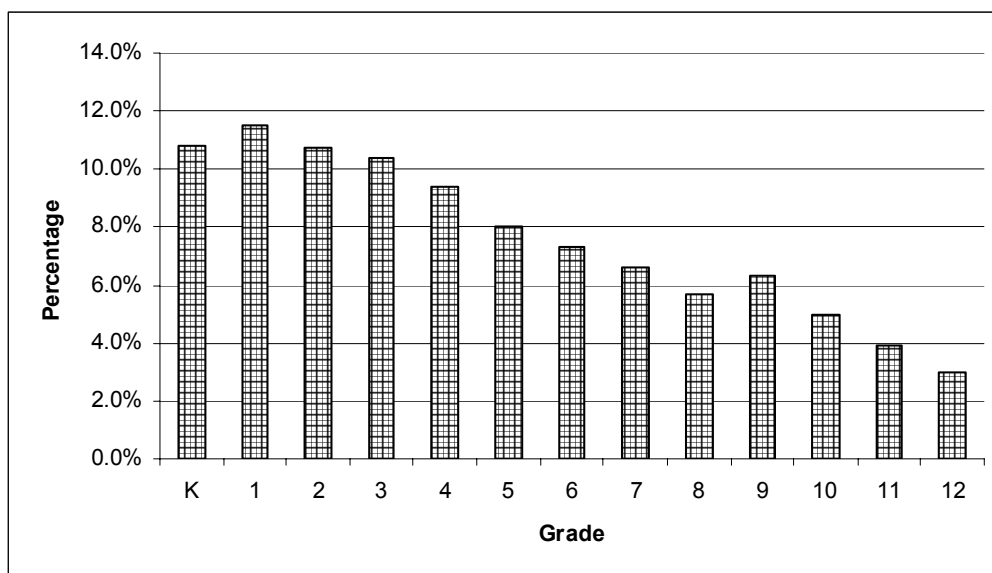
TABLE 7-B. Comparison of CDE and NCES Dropout Definitions

However, state education officials admit that the published dropout rates are misleading, as officials do not have a way of following every student in the state; thus, the state’s published four-year announced dropout rate is probably very low compared to the actual number of students leaving school without graduating.¹⁶

Categorical spending by the state to prevent dropouts has held steady at just under \$22 million for the past few years. However, Governor Schwarzenegger is proposing to eliminate the state’s dropout prevention program in 2004–05, with the funding transferred to revenue limits (see Table 7-M below).

English Learners. English Learners (EL) (previously called “Limited English Proficient” (LEP students) make up 25.4% of California’s total K–12 population,¹⁷ and over one-third of all students in kindergarten through third grade, both record highs.¹⁸ 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.

Currently, 35% of the children in California public schools do not speak English as their first language; the national average is 13%.¹⁹ 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.²⁰



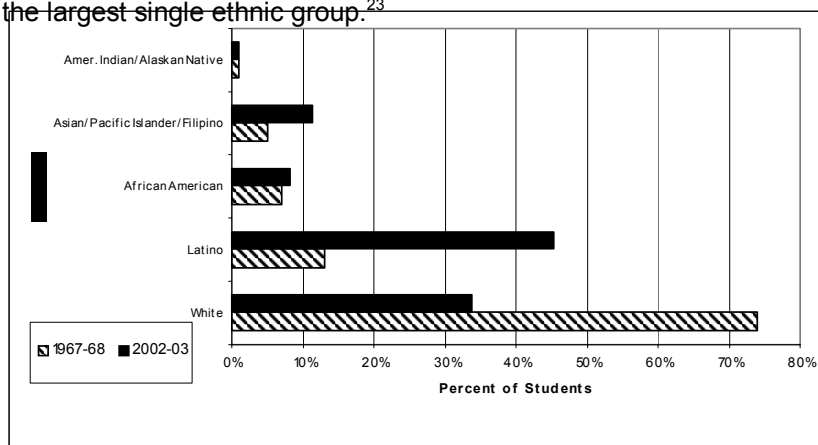
Source: California Department of Education

FIGURE 7-B. Percentage of English Learning Students by Grade, 2002-03

According to the Legislative Analyst's Office (LAO), 60% of non-English speaking children who begin attending school in California after kindergarten have not been reclassified as fluent by 12th grade.²¹ LAO further projects that for EL students enrolled in kindergarten, it takes about six years before half of these students are reclassified as fluent; about 40% of the kindergartners still will not be proficient in English when they begin seventh grade.²²

Funding for the state's English Learners Student Assistance program has held steady at \$53 million in recent years. However, Governor Schwarzenegger is proposing to eliminate this program in 2004-05, with the funding transferred to revenue limits (see Table 7-M below).

Ethnicity. Figure 7-C presents the ethnic breakdown of public school enrollees as of 2002-03 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 33.7% of all public school students. Most of the minority increase has been Latino and Asian/Filipino, with the Latino children now at 45.2% of the total public school population, over three times their proportion a generation ago, and now constituting the largest single ethnic group.²³



Source: California Department of Education, Educational Demographics Unit

FIGURE 7-C. Ethnicity Distribution in California

Public Schools, 1967–68 and 2002–03

C. Special Education Demographics

As Figures 7-D and 7-E indicate, California had 675,332 special education students in 2002–03, 10.8% of total enrollment.²⁴ 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).

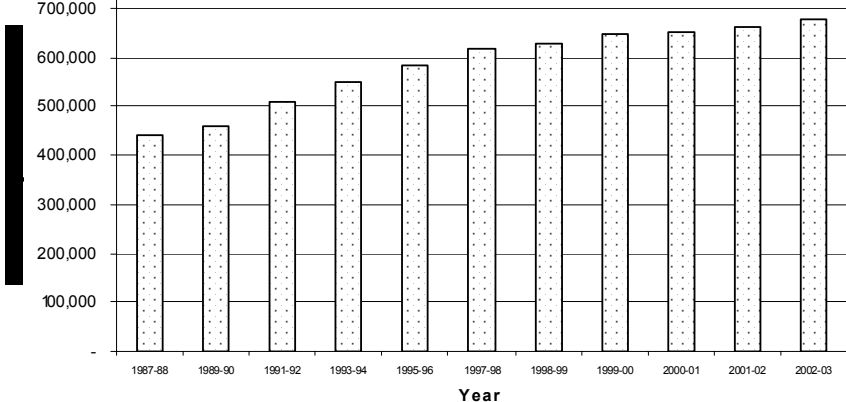


FIGURE 7-D. California Public School Children Enrolled in Special Education, 1987–2002

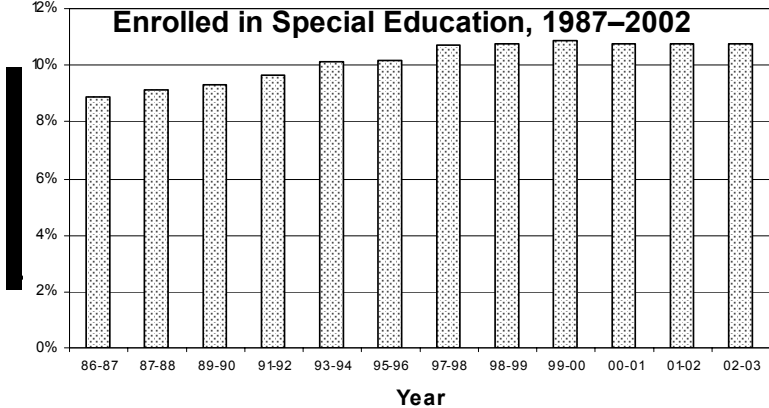


FIGURE 7-E. California Special Education Enrollment as a Percentage of Total Public School Enrollment

D. Class Size

Research indicates a correlation between class size and teaching efficacy, particularly for the teaching of children through third grade.²⁵ 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 program’s 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 presents California’s national ranking using 2001–02 data, reflecting most of the mathematical improvement in ratios from Governor Wilson’s investment, with students per teacher falling from 24.1 to 21. Actual class sizes are larger (for all states) by 4–6 students given special and non-teaching assignments of some teachers. Because class size in grades 4–12 did not decrease, and even increased slightly during the K–3 class size reduction effort, California has moved ahead of only one state (Utah), and ranks 49th in class size per teacher. California has not engaged in significant class size reduction in recent years, and no such investment is contained in the 2004–05 proposed budget. The state’s classes are five students per teacher larger than the U.S. student-teacher average. 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.

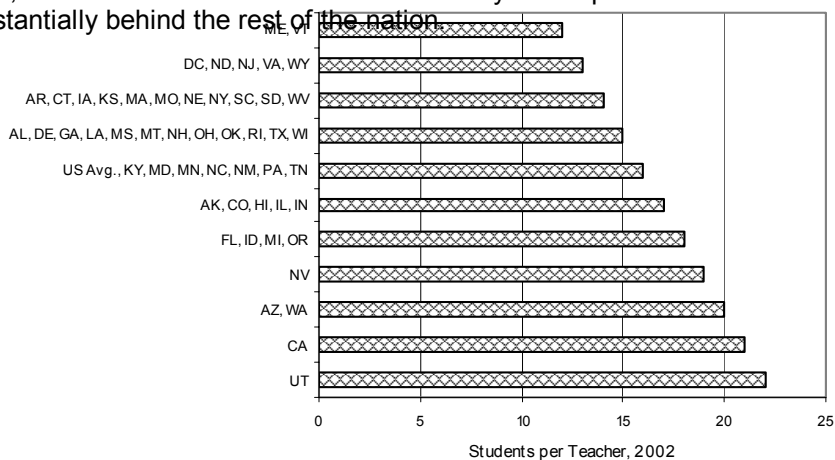


FIGURE 7-F. Students Per Teacher, 2001–02²⁶

In addition to large class sizes and the high number of students per teacher, California has the nation’s second worst staff-to-student ratio. The term 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. One study indicated the areas where California’s deficiency are most marked: 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 ranked 51st, the lowest in the nation.²⁷

E. Per-Pupil Expenditures

California’s disinvestment has extended beyond class size and inadequate numbers of teachers and staff. One recent study ranked California near the bottom of states in per-pupil expenditures. The study, which adjusts its figures to reflect regional cost differences, concluded that California ranks 44th among the 50 states in education spending per student—ahead of only Tennessee, Idaho, Nevada, Mississippi, Arizona, and Utah.

The actual per-pupil expenditure figure differs depending on the formula used; for example, the study noted above calculated California’s education spending per student, adjusted for regional cost

differences, to be \$6,258 in 2001. The Governor's 2004–05 Proposed Budget estimates that total per-pupil expenditures from all sources (state, federal, local, etc.) will be \$9,398 in 2003–04 and \$9,614 in 2004–05. These figures are calculated using the total amount spent on K-12 education from all sources (state, federal, local, etc.) of \$56.2 billion in 2003–04 and \$58.1 billion in 2004–05, and the average daily attendance (ADA), which is typically 4-5% below actual enrollment figures.

Yet another per-pupil spending figure is calculated using only Proposition 98 support for K–12 funding, which was projected in the January 2004 budget proposal to be \$45.9 billion in 2003–04 and \$46.7 billion in 2004–05; these figures result in K–12 Proposition 98 per-pupil expenditures of \$6,940 in 2003–04 and \$6,945 in 2004–05.

2004 May Revise. Figures contained in the 2004 May revise increase Proposition 98 funding per pupil to \$7,011 for 2003–04 and \$7,007 for 2004–05 (*see infra* for more information about Proposition 98).

F. Counseling and Student Support Services

The California Board of Education has a long-standing policy that “all students attending public schools in California are entitled to receive the benefits of effective guidance and counseling programs and services designed to meet their educational, academic, career, vocational, personal, and social needs at all levels of development. It is also the policy of the State Board of Education that the benefits students derive as a result of effective guidance and counseling programs justify a high priority and commitment of resources by the State Department of Education, county offices of education, and local education agencies. These resources include both state operations funds, appropriate categorical funds, and district general program funds.”²⁸

To that end, CDE's Counseling and Student Support Office offers a wide range of student services that impact the academic, career, and personal/social development of students necessary to ensure success in school and in life. This office supports school counseling, psychological, and social services; attendance improvement; dropout prevention and recovery; and foster youth programs. The Counseling and Student Support Office serves also as a resource to support schools in planning, implementing, and monitoring comprehensive student support programs, such as the following:

- **Bullying and Hate-Motivated Behavior Prevention.** Bullying by students and its negative effects erode students' ability to learn. Additionally, the link between bullying and later delinquent and criminal behavior has been documented by research in both the United States and abroad. The prevalence of bullying and the damage it causes have been seriously underestimated in the past and the Counseling and Student Support Office has developed and collected resources intended to raise awareness of educators, parents, and children. These resources include how to identify and discuss bullying and how to differentiate between physical and psychological aggression, why bullies bully, bullying and the law, and how bullying can be prevented or diminished.
- **Child Welfare and Attendance.** This specialized student support service covers compliance with compulsory education laws, student admission and enrollment procedures, student discipline procedures, transfers to alternative programs, and school climate and safety. Child welfare and attendance combines the knowledge and skill of counseling with knowledge of education and the law to resolve complicated situations involving school choice, student discipline, campus safety, and programs for high-risk youth.
- **Classroom Management Training.** To respond to California teachers and administrators faced with a growing need to successfully manage unwanted behavior in the classroom, CDE, in collaboration with the Los Angeles County Office of Education, developed Classroom Management: A California Resource Guide. The guide and accompanying regional training address a wide range of student behavior problems that must be overcome in order to create "environments conducive to learning," as required in the No Child Left Behind Act of 2002 (NCLB). The fact that in some schools, teachers regularly face problem behaviors, but seldom

receive systemic support for efforts to improve it, launched the more recent publication entitled: Teaching Alternative Behaviors Schoolwide. This document explores how schools can create a foundation of support and schoolwide commitment to teach students self-discipline and how to behave.

- **Counseling Programs and Services.** This program consist of guidance curriculum, individual student planning, direct services, and system support. A school counseling program is comprehensive in scope, preventative in design, and developmental in nature. School counseling is a specialized service provided by a credentialed school counselor. School counselors design, develop, coordinate, implement, and assess a school counseling program that addresses the academic, career, personal, and social development of students. Resources include model programs, Support Personnel Accountability Report Card (SPARC), Tenth Grade Counseling, and National Standards for School Counseling Programs.
- **Dropout Prevention and Recovery Programs.** Early identification and intervention, creating and improving resiliency factors, and a nurturing school climate are among the strategies suggested by these programs for students at high risk of failure. Programs aimed at increasing a school’s holding power include the Motivation and Maintenance (M&M) Program, Alternative Education Outreach Consultant (AEOC) Program, and the Educational Clinic Program.
- **Foster Youth Services Programs.** These grant programs, which provide support services to reduce the trauma of transition and displacement from family and school, ensure that health and school records are obtained to identify appropriate placements and coordinate instruction, counseling, tutoring, mentoring, vocational training, emancipation services, training for independent living, and other related services. These services are designed to improve the children’s educational performance and personal achievement, directly benefitting them as well as providing long-range cost savings to the state.
- **Psychological and Mental Health Services.** Such programs in schools apply learning theory for individuals and groups to improve instruction and coordinate and evaluate plans to meet unique individual needs for learning or behavior problems. School psychologists also use research to design prevention and intervention programs, and provide crisis intervention, suicide prevention, and other mental health strategies as part of a student support services team.
- **School Social Work Services.** Such programs provide a link between home, school, and community as an integral part of the student support services team. School social workers collaborate with the school, the home, and the community to provide personal and programmatic support for students and their families facing multiple risk factors.

Unfortunately, the state has seriously underfunded these important and cost-effective programs over the past several years. Table 7-B(1) indicates the pupil services ratios for 2002–03 for four key support positions in our public schools. Nationally, California has the highest school counselor per pupil ratio, the highest support staff per pupil ratio, and the highest librarian per pupil ratio.²⁹

Position	Statewide Ratio	Recommended Ratio
School Counselors	954:1	250:1
School Psychologists	1,658:1	1,000:1
School Nurses	2,516:1	750:1
School Social Workers	33,561:1	800:1

TABLE 7-B(1). Ratios of Student Support Personnel to Students³⁰

G. Overall K–12 Spending

In overall regionally-adjusted K – 12 spending, Education Week recently reported that California

ranks 44th, between Louisiana and Mississippi. That study used 2001 data, before the cuts of 2003–04 and the reductions proposed for 2004–05; the ranking is very likely to be 50th by 2005—dead last. Notwithstanding some class size reduction in the Wilson Administration, we now reside 49th in the nation in students per teacher, well below Louisiana and Mississippi. Our higher education tuition will go up as much as 40% this year, with youth facing unprecedented debt for higher education. Perhaps most troubling, public higher education capacity per 18-year-old (from community colleges to universities) has not increased since 1991 and is now scheduled for a population-adjusted reduction of 11,300 kids who would have gotten in this year, but won't next year—just as more higher education is needed for future jobs.

H. Examination Performance

1. Standardized Testing and Reporting Program

California's 2003 Standardized Testing and Reporting (STAR) Program included four components: the California Standards Tests (CST); the California Achievement Test (CAT/6); the California Alternate Performance Assessment (CAPA); and the Spanish Assessment of Basic Education, 2nd Edition (SABE/2). Each test is discussed in more detail below.

In May 2004, the *Los Angeles Times* reported that the increased pressure of obtaining satisfactory test scores have prompted cheating on these standardized tests; however, the cheaters are not the students taking the exams—they are the teachers administering them.³¹ According to documents obtained by the newspaper, more than 200 California teachers have been investigated for allegedly helping students on state exams, and at least 75 of those cases were proved to be true.³² Nearly 2,500 pages of documents obtained by the newspaper through a Public Records Act request reveal cases of teachers allowing extra time, erasing and changing score sheets, reading answers, and giving students hints during tests. Punishments for teachers found cheating are determined by individual school districts; thus, there is no statewide uniform process for handling such violations.

	Grade										
	2	3	4	5	6	7	8	9	10	11	
Subjects (not an all-inclusive list)											
English Language Arts											
% Advanced	12	10	15	10	13	10	8	14	11	11	
% Proficient	24	23	24	26	23	26	22	24	22	21	
% Basic	32	30	35	36	35	33	34	31	30	29	
% Below Basic	19	21	18	18	16	18	20	19	22	19	
% Far Below Basic	13	16	8	11	13	14	15	12	14	20	
Mathematics											
% Advanced	24	19	18	10	10	7					
% Proficient	29	27	27	25	24	23					
% Basic	29	25	27	26	30	32					
% Below Basic	20	23	21	26	28	26					
% Far Below Basic	5	7	7	13	8	12					
General Mathematics (grades 6 & 7 standards)											
% Advanced							3	1			
% Proficient							21	13			
% Basic							32	31			
% Below Basic							28	32			
% Far Below Basic							16	23			
High School Mathematics (grades 9-11)											
% Advanced								10	15	13	
% Proficient								9	26	31	
% Basic								3	14	24	
% Below Basic								2	8	22	
% Far Below Basic								76	37	9	

U.S. History		
% Advanced		12
% Proficient		22
% Basic		32
% Below Basic		21
% Far Below Basic		13

Source: California Department of Education

TABLE 7-C. California Standards Test Scores, 2003³³

◆ **The California Standards Tests (CST)**, in English-language arts, math, science, and history-social science, are administered only to students in California public schools. Except for a writing component that is administered as part of the grade 4 and 7 English-language arts tests, all questions are multiple choice. These tests were developed specifically to assess students' performance on California's Academic Content Standards. The State Board of Education adopted these standards that specify what all California children are expected to know and be able to do in each grade or course.

Scoring of the CST takes two different forms. First, the mean-scaled score is the group-average scaled score for each grade and content area. The CST scaled scores range from approximately 150 to 600. Scores between 300 and 349 are at the Basic Performance Standard (Academic Achievement Standard) and scores of 350 or higher are at or above the Proficient Performance Standard.

Second, scores are categorized as Advanced, Proficient, Basic, Below Basic, and Far Below Basic, indicating the percentage of students in each group whose scores were at this performance standard. The state target is for every student to score at the Proficient or Advanced performance standard. In 2003, the CST was administered to 4.7 million California students. As the sample results in Table 7-C indicate, the state fell far short of its target.

◆ **The California Achievement Test (CAT/6)**, first administered in Spring 2003, has replaced the Stanford 9 test. The CAT/6 is a nationally norm-referenced test used to compare how California students are doing in relation to students of the same grade level nationwide. Thus, scores reported for the CAT/6 are national percentile ranks. For each school, district, county and the state, the following types of scores are reported by grade level and content area:

- (1) NPR (national percentile rank) for “AVG” Student estimates the national percentile rank for a hypothetical average student in this group;
- (2) % Scoring Above 75th NPR is the percent of students in this group that scored above where 75% of the students in the national sample scored. If this group looked like the national sample, this number would be 25. A number greater than 25 indicates that the group had scores better than the national sample. A number less than 25 indicates that the group did not do as well as the national sample.
- (3) % Scoring At or Above 50th NPR is the percent of students in this group that scored at or above where 50% of the students in the national sample scored. This is the percentage of students considered as scoring at or above their grade level on this test.
- (4) % Scoring Above 25th NPR is the percent of students in this group that scored above where 25% of the students in the national sample scored. If this group looked like the national sample, this number would be 75.

Grade	2	3	4	5	6	7	8	9	10	11
All Students										
Reading	46	34	35	41	45	45	41	50	49	47
Math	57	52	48	49	51	46	48	46	52	47
Language	41	42	43	44	40	41	43	49	49	47
Spelling	53	53	56	50	49	53	49			
Science								47	47	49

Source: California Department of Education

TABLE 7-D. CAT/6: Percentage of California Students Scoring At or Above 50th National Percentile, All Students — Spring 2003³⁴

As Table 7-D indicates, in the first year of testing with the CAT/6, 50% of California's students scored at or above the national average in mathematics. In reading, however, just 43% percent of California's students scored at or above the national average. This result is affected significantly by the number of English learners in California, a much higher proportion of students than that of any other state. Of the 4.7 million California students who took the CAT/6 in 2003, 1.2 million are classified as English Learners.

Grade	2	3	4	5	6	7	8	9	10	11
All Students										
Reading	57	45	46	50	55	54	49	58	56	53
Math	64	61	57	58	60	55	55	53	57	51
Language	50	52	54	54	49	49	51	56	56	53
Spelling	59	60	63	57	57	59	56			
Science								55	54	55

Source: California Department of Education

TABLE 7-E. CAT/6: Percentage of California Students Scoring At or Above 50th National Percentile, Fluent Students Only — Spring 2003³⁵

As is noted above, the CAT/6 has replaced the Stanford 9 as the national norm-referenced test for the STAR Program. The Stanford 9 was first administered to all California students during Spring 1998, and its last administration was in Spring 2002. The CAT/6 surveys are shorter than the Stanford 9 and reduce the testing time for the norm-referenced portion of the STAR program. Since the CAT/6 and the Stanford 9 are published by two different companies, were developed at different times, and use different national groups of students as the comparison groups, CDE advises users of the STAR data to make no direct comparisons between the 2002 Stanford 9 and the 2003 CAT/6 scores.

◆ **The California Alternate Performance Assessment (CAPA)** was administered as part of the STAR Program for the first time during Spring 2003. Since all students in grades 2–11 are required to participate in the STAR Program, the CAPA was developed to assess students with the most significant cognitive disabilities who are unable to take the CST, even with accommodations or modifications. Alternate assessments are required by two federal laws, the Individuals with Disabilities Education Act (IDEA) and the No Child Left Behind (NCLB) Act. The California Education Code was amended in January 2003 to require students with disabilities to participate in the STAR Program by taking CST and the CAT/6 with or without accommodations or modifications or by taking an alternate assessment.

The CAPA is an individually administered performance assessment with all tasks linked to California's English Language Arts and Mathematics Academic Content Standards. Special educators in California identified subsets of standards that are appropriate for students with moderate to severe disabilities. The CAPA is organized into five levels, representing specific grade spans. Most students eligible for the CAPA take the level corresponding to their grade placement. These students are expected to move through the CAPA levels as they progress in age. Some students with complex, profound disabilities may be eligible for Level I. These students remain in Level I and are not expected to move through the CAPA levels.

Students taking the CAPA were given eight tasks to complete for each of the two content areas. A trained certificated or licensed examiner (usually the student's teacher) individually administered the assessment. The examiner scored the assessment by observing the student's response and recording the student's score using a specific scoring guide. If needed, the examiner could adapt the assessment tasks to make them accessible for students with a wide range of disabilities. Adaptations might have included signing the directions for a student with a hearing impairment or providing tactile materials for a student with a visual impairment.

CAPA scores are reported as one of five performance levels from advanced to far below basic. While the CAPA performance levels have the same labels as those used for the CSTs, they are defined differently and are based on a different scaled score range.

◆ **The Spanish Assessment of Basic Education**, 2nd Edition (SABE/2) is a nationally norm-referenced achievement test in Spanish. It includes tests of Spanish reading, language, and spelling, as well as mathematics tests in Spanish. Spanish-speaking English learners (limited-English proficient students) who had been enrolled in any California public school less than twelve months when testing began were required to take the SABE/2 in addition to the California Standards and CAT/6 Tests. Districts had the option of administering SABE/2, in addition to CAT/6 and CST, to Spanish-speaking English learners who had been in California public schools twelve months or more.

2. The California High School Exit Exam (CAHSEE)

Enacted in 1999, the state's California High School Exit Examination (CAHSEE) requires students to successfully complete English and math proficiency examinations as a condition of graduation. 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.

As originally enacted, the requirement would have gone into effect in 2004.³⁶ The examination was given on a voluntary basis to 9th graders in Spring 2001. About 370,000 9th graders participated (78% of those enrolled). Even acknowledging that some of the subject matter tested had not been taught to the test takers (e.g., algebra), the results were alarming to many. 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.

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. Data from 2000 indicated 46% were unprepared in reading and writing and 45% in math. Even in the UC system, where admission standards are stricter, over 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).³⁷ These rates then require substantial attention during freshman year to remediation course work.

At its July 2003 meeting, the State Board of Education agreed that students scheduled to graduate in 2004 or 2005 will not be required to pass the CAHSEE in order to receive a high school diploma, thus delaying the passage of the exam as a diploma requirement to the Class of 2006. The Board's action was based on the findings of an independent study conducted last spring, as required by Education Code Section 60857. The study focused on the test development process and the implementation of standards-based instruction in California public schools. Key findings concluded that:

- Development of the CAHSEE meets all of the test standards for use as a graduation requirement;

- The CAHSEE requirement has been a major factor in the dramatically increased coverage of state academic content standards at the middle and high schools; and
- Many factors suggest the effectiveness of standards-based instruction will improve for each succeeding class after 2004.

The Board also directed that the exam be reduced in length from three days to two days. The administration of this exam will begin again in February 2004. In addition to the use of the CAHSEE as a graduation requirement, the spring CAHSEE administrations will continue to be used in calculating the Academic Performance Index for state accountability purposes and Adequate Yearly Progress to meet federal No Child Left Behind requirements.

3. 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 number of California 11th and 12th graders earning qualifying grades on AP examinations has increased over the past several years, from 4 per 100 students in 1985 to 11.1 per 100 students in 1995, to 19.2 per 100 students in 2002–03.³⁸

4. Scholastic Achievement Testing (SAT)

The number and percentage of Scholastic Achievement Test (SAT) applicants have increased as well. Approximately half of the state’s high school graduates take this college admissions examination, above the national average of 45%. The 2003 average performance of California students is close to the national average, with takers scoring 499 on verbal (as compared to a 507 national average) and 519 on math (equal to the national average) for a total score of 1018 (compared to a 1026 national average).

	1995 Scores	1996 Scores	1997 Scores	1998 Scores	1999 Scores	2000 Scores	2001 Scores	2002 Scores	2003 Scores
SAT Verbal									
U.S.	504	505	505	505	505	505	506	504	507
California	492	495	496	497	497	497	498	496	499
SAT Math									
U.S.	506	508	511	512	511	514	514	516	519
California	509	511	514	516	514	518	517	517	519
Combined Score									
U.S.	1010	1013	1016	1017	1016	1019	1020	1020	1026
California	1001	1006	1010	1013	1011	1015	1015	1013	1018

TABLE 7-F. SAT Performance Scores, 1995–2003³⁹

The relatively comparable scores of California high school seniors is unexpected given the high rate of SAT examination participation by a population with serious challenges. Substantial demographic differences between California and national SAT test takers would predict lower scores than are achieved. For example, English is not the first language for 19% of California’s SAT-taking students, as opposed to 9% nationally, and 12% of the parents of California test takers had never finished high school, while the national percentage was 5%.

I. Higher Education Applications/Slots

The data indicate extraordinary efforts by California high school students to gain entrance into higher education. 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.⁴⁰

Table 7-G reflects enrollment in all higher education: community colleges, the state college system, and the state university system. The private college option is taken by only 8.1% of high school seniors due to the extraordinary tuition now commonly at \$20,000–\$30,000 per year; with the relatively small number of scholarships awarded, this option is increasingly limited to the wealthy.⁴¹

A loss of public higher education enrollment slots has occurred while more students are attempting to obtain advanced education, particularly among California's ethnic minorities, who 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), higher education disinvestment has not occurred through attention-attracting raw number cuts, but by keeping increases at population growth over a substantial period of time.

	1990-91	1992-93	1994-95	1996-97	1998-99	2000-01	2001-02	2002-03	2003-04	2004-05
Univ. of Cal.	157,206	155,530	152,050	155,387	161,400	171,270	185,304	196,188	202,628	199,428
Cal. State Univ.	278,902	258,834	247,113	262,428	273,928	290,554	316,395	331,353	334,914	341,587
Community Colleges	884,932	896,900	854,831	902,839	961,049	1,041,829	1,105,000	1,128,954	1,104,030	1,137,150
Hastings	n/a	1,253	1,257	1,284	1,140	1,198	1,200	1,262	1,250	1,250
Total	1,321,040	1,311,264	1,255,251	1,321,938	1,397,517	1,504,851	1,607,899	1,657,757	1,642,822	1,679,415
Adjusted Total	1,700,178	1,755,389	1,630,069	1,595,711	1,601,974	1,641,046	1,703,730	1,706,495	1,642,822	1,631,511

Adjusted to 15-19 population (2003–04=1.00). Adjustments by Children's Advocacy Institute.

TABLE 7-G. State of California Higher Education Enrollment⁴²

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 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 addressed 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 state must open up more higher education slots every year over the next five to accommodate the increased youth population’s demand for access to higher education.

The population-adjusted numbers in Table 7-G illustrate that fewer 18-year-olds today have the opportunity for public higher education than in 1990. The state is moving toward more year round programs, as discussed below, and is scheduled to open a new UC campus at Merced in Fall 2005 (the opening was originally scheduled for Fall 2004, but was delayed one year due to the budget deficit). But countervailing these measures are two factors: (1) as noted above, the number of 10- to 18-year-olds includes a population “bulge” that is larger than the adjuster used in Table 7-G above; 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 submitted to public universities in recent years is part 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. Overall, the University of California saw a 21% increase in freshman applications between 1999 and 2003, and the bubble was expected to last until 2010.⁴³ The same pressure was evident at the CSU system. San Diego State, for example, reported in May 2002 an increase in applications of 12% and an 11% decrease in those admitted.⁴⁴

In 2004, however, the number of applications to the UC system dropped for the first time in a decade. To a significant degree, the decline is related to the increasing cost of higher education in California. Although tuition and costs for in-state students for California’s impressive public institutions of higher education have historically been kept relatively low, fees and costs have soared over the past two years, and the Governor is proposing further increases (discussed in more detail below). At private institutions, total costs (including living expenses) can total over \$35,000, placing it out of reach for most California children absent substantial scholarship/loan assistance.

	2003–04	2004 – 05 (as proposed)
Private California Universities	\$21,465	na
University of California (UC)	\$5,530	\$6,030
California State University	\$2,572	\$2,777
California Community College	\$540	\$780

TABLE 7-H. Average Annual Resident Undergraduate Tuition and Fees⁴⁵

Tax changes enacted in 1997–2001 help the parents of upper and middle class children, but do not give refundable credits for tuition. Rather, they 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.

Tax benefits, scholarships, and loans will not resolve higher education needs for future employment without substantial capacity increase above population gain. 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.⁴⁶

II. MAJOR PROGRAMS AND BUDGETS

A. K–12 Public Education

As Figure 7-H represents, the largest contributor to K–12 public education is the state general fund. Property taxes are capped and for the past several 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 12% of total spending and focusing on two categorical programs: nutrition and compensatory education. The most marginal contributor is the California Lottery, with a downward trend in contributive amount since 2000–01; it currently supplies less than 1.4% of total K–12 revenues.⁴⁷

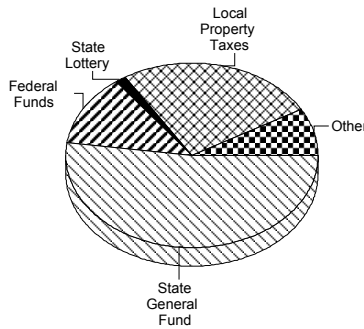


FIGURE 7-H. 2004–05 Sources of Revenue for K–12 Education in California (Proposed)

The general purpose funding presented in Table 7-I 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 are 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.” Revenue limit support is directed core education program costs such as teacher and administrator salaries, lights and utilities, maintenance, and other costs. 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.⁴⁸ However, substantial differences remain between schools, with highly qualified teachers gravitating toward suburban schools, and with continuing physical plant, course offerings, and expectation differences substantial among high minority schools in urban centers and agricultural rural areas (see discussion below).

	Budget Year							Estimated 2003-04	Proposed 2004-05	Percent Change	
	1989-90	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03			'89-'03	Proposed
General Fund	\$13,982	\$20,354	\$22,324	\$25,517	\$27,558	\$27,833	\$26,856	\$28,005	\$27,600	100.3%	1.4%
Property Taxes	\$4,521	\$9,139	\$9,461	\$10,100	\$10,815	\$11,708	\$12,786	\$13,667	\$14,694	202.3%	7.5%
Lottery	\$788	\$582	\$674	\$770	\$744	\$827	\$806	\$793	\$793	0.6%	0.0%
Federal funds	\$1,449	\$3,215	\$3,468	\$4,115	\$4,459	\$5,022	\$5,965	\$6,685	\$6,726	361.4%	0.6%
Other	\$246	\$91	\$155	\$463	\$66	\$150	\$115	\$137	\$104	-44.3%	-24.1%
Total	\$17,914	\$33,381	\$36,082	\$40,965	\$43,642	\$45,540	\$46,528	\$49,287	\$49,917	134.9%	1.3%
Adjusted Total	\$38,508	\$40,918	\$42,626	\$46,852	\$47,969	\$48,374	\$47,792	\$49,287	\$48,553	28.0%	-1.5%
Prop. 98 K–12 Funding	\$20,004	\$29,075	\$35,618	\$39,527	\$42,923	\$43,300	\$43,600	\$45,900	\$46,700	129.5%	1.7%
Prop 98 K–12 Spending Per Pupil	\$4,285	\$5,466	\$5,642	\$6,202	\$6,548	\$7,009	\$6,588	\$6,940	\$6,945	62.0%	0.1%
Adjusted Prop 98 K-12 spending per pupil*	\$5,876	\$6,042	\$6,132	\$6,660	\$6,874	\$7,235	\$6,693	\$6,940	\$6,822	18.1%	-1.7%

Dollar amounts are in \$1,000,000 except where per pupil. Sources: Governor’s Budgets. Adjusted to K–12 enrollment and deflator (2003–04=1.00). Adjustments by Children’s Advocacy Institute. *Adjusted to deflator only (2003–04=1.00).

TABLE 7-I. Department of Education

The state’s general fund is the most critical source of education funding—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–12 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

The state's 2004–05 spending is related to the Proposition 98 formula for funding K–12 public education. 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; basically, Proposition 98 requires overall funding to increase by growth in per capita personal income and numbers of students and additionally to grow by an amount called a maintenance factor adjustment.

Regrettably, most public officials interpret 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.⁴⁹

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 endorsed by the Office of Legislative Analyst and approved by the Legislature.⁵⁰ 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,⁵¹ knowing that a shortfall can be added, but an overage may no longer be retrievable. As a practical matter, the approximately 41% of general fund monies allocated for K–14 education has been treated as a ceiling instead of a floor.

For 2004–05, the Governor estimated that Proposition 98 would require an increase in K–14 funding of \$3 billion. As part of his plan to close the budget deficit, Governor Schwarzenegger has proposed that the level of Proposition 98 appropriations be “rebased” at a level approximately \$2 billion less than otherwise would be required for 2004–05.⁵² This proposal—which has received general concurrence from the K–12 education community—would require the suspension of Proposition 98 in 2004–05. Suspension of Proposition 98's constitutional funding requirements would require the legislature to approve the suspension in a bill—separate from the budget bill—with a two-thirds vote.⁵³

This will create an additional \$2 billion maintenance factor that must be restored to the Proposition 98 budget in future years; the Governor optimistically estimates that the additional maintenance factor could be restored to the guarantee over the next three years, based on current projections of future revenue growth and other economic factors.⁵⁴ The Legislative Analyst estimates that, with all other things held constant, revenues would need to grow to about \$103 billion, or almost 8% annually, in order to fully restore the maintenance factor by 2008–09.⁵⁵

The Schwarzenegger Administration's agreement with the K–12 education community, discussed above, is predicated on the assurance that the priorities for spending any amounts above the levels needed for programs funded in the 2003–04 fiscal year are to (1) provide growth in enrollment and cost-of-living adjustments (COLAs); (2) restore general purpose revenue limit funding reductions made in the 2003–04 Governor's Budget; (3) pay valid state-mandate claims; and (4) provide additional general purpose funds and funding for state priorities in a 75% to 25% ratio.

In addition to suspending the Proposition 98 minimum guarantee by \$2 billion in 2004–05, Governor Schwarzenegger proposed to spend below the minimum guarantee in 2002–03 and 2003–04 by a combined \$966 million. Under the Governor’s proposal, which does not include suspension of the minimum guarantee for those years, the state would have to appropriate additional resources at some future time in order to “settle up” to the minimum guarantee;⁵⁶ specifically, he is recommending that the “settle up” be deferred until 2006–07. LAO recommends suspending the minimum guarantee for 2002–03 and 2003–04, in order to avoid having to pay off the \$966 million at some future time. However, the Senate Committee on Budget and Fiscal Review has opined that while suspension of Proposition 98 is an option for addressing the fiscal problem in 2003–04, it is unclear whether suspension is an option for 2002–03.⁵⁷

2004 May Revise. The 2004 May Revise increases Proposition 98 funding by \$275 million over the funding levels contained in the January 2004 budget proposal; of this amount, \$147 is directed to K–12 and \$128 is directed to community colleges.⁵⁸ According to the May Revise, projected Proposition 98 funding per K–12 pupil is \$7,011 in 2003–04 and \$7,007 in 2004–05.

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. Of the ten most populous states, California’s 2001–02 education expenditures per pupil ranks next to last (edging out only Florida).⁵⁹

Popular concern over declining public education, reflected in issue polls through the 1990s, led to the K–12 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.⁶⁰ 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 businesses and other taxpayers.⁶¹

For each of the past several years, the governor and legislature 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.

As Table 7-1 indicates, the current 2003–04 budget provides approximately \$49 billion for Department of Education programs. Instead of across-the-board reductions as proposed by then-Governor Davis in January 2003, the 2003–04 budget contains \$1.13 billion in targeted reductions that either reduce or eliminate funding for “lower priority categorical programs,” such as equalization, instructional materials, deferred maintenance, summer school, and peer instruction and review. Also, the budget reduces 2003–04 subsidized child care expenditures by \$384 million by implementing several

“reforms,” such as limiting services to children under thirteen years of age, decreasing the state preschool caseload and the CalWORKs Stage 3 caseload, reducing provider regional market rates, and reducing the after school program.

Other features of the final 2003–04 budget include the following:

- ◆ In June 2003, the Legislature passed SB 1040 (Committee on Budget and Fiscal Review) (Chapter 26, Statutes of 2003), which deferred 2002–03 Proposition 98 expenditures by \$80 million. Since part of the calculation of the Proposition 98 minimum guarantee is based upon previous year expenditures, SB 1040 resulted in an \$82 million reduction in the Proposition 98 Guarantee for 2003–04, and an \$84 million reduction in the guarantee for 2004–05.
- ◆ Revenue limit income is a combination of local property taxes and state money. The Budget Act includes a 1.2% reduction in school district revenue limit funding. It also assumes trailer bill legislation will be passed that will allow all of the school districts in the state to tap into their budget reserves and maintenance accounts to reduce the budgetary impact of the 1.2% reduction. School districts will also be allowed to tap categorical program “ending balances” to meet budget needs.
- ◆ The 2003–04 Budget Act continues 2002–03’s \$1.16 billion deferral in education funding from 2003–04 into 2004–05.
- ◆ The 2003–04 Budget Act does not provide a cost of living adjustment for either revenue limit or categorical programs, and does not provide attendance growth for any of the categorical programs except special education.

As Table 7-I indicates, the January 2004 Governor’s budget for 2004–05 provides for a slight decrease in adjusted K–12 funding from the current year, as well as a decrease in adjusted Proposition 98 K–12 spending per pupil.

3. Class Size Reduction

a. Funding / Implementation to Date

Funding. The 1996 class size reduction initiative of former Governor Wilson consisted primarily of funds which Proposition 98 required to be expended. 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 1997–98 the operations grant amounts increased to \$800 (full-day) and \$400 (half-day); and by 2000–01 they increased to \$850 and \$425. The one-time facilities grant of \$25,000 per newly-created classroom increased to \$40,000 per newly created classroom in 1997–98 and 1998–99. However, the \$40,000 facilities grants for these two years were available to a district only if it had not reduced all of its eligible classes to 20 or fewer students and therefore did not use all the operational funds that it might

have claimed.

For 2003–04, the Budget Act provides \$1.66 billion for K–3 class size reduction, increasing the operations grants to \$906 (full-day) and \$453 (half-day). The 2003–04 Budget also allocates \$110 million for grade 9 class size reduction efforts.

Implementation to Date. 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,⁶² and 95% of the eligible districts met the February 1997 deadline to receive the offered subsidy.⁶³ 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.⁶⁴

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.⁶⁵ 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.⁶⁶ 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.⁶⁷ Several new initiatives were established in 1998–99 to address the teacher shortage/quality problem, such as the Beginning Teacher Support and Assessment; teacher training in math instruction; and Alternative Certification program expansion to provide support for interns seeking credentialed status while teaching in the classroom.⁶⁸

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.⁶⁹ 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 (or \$40,000 during 1997–98 and 1998–99 for school districts that met certain criteria).⁷⁰

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.⁷¹ 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 have faced CTA opposition and lack of administration support.

b. Small Class Size Efficacy Evidence

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.⁷² Results from the 1999 Stanford 9 showed improvement from 1998 scores. 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 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).”⁷³ The grade with the next most improved scores was the 4th grade results, involving students not in reduced size classes, but who had experienced one or two years in such 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.⁷⁴ 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.⁷⁵ 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 CSR Research Consortium released its Summary of Findings from 1999–00 and 2000–01, and concluded that CSR implementation was essentially complete for grades K–3; the decline in elementary teacher qualifications had “leveled off” but remains substantial; students in reduced size classes received more individual instruction; and achievement scores improved, but the long-term effect remains uncertain.⁷⁶

In September 2002, the CSR Research Consortium released its final evaluation of class size reduction efforts in California; among other things, the Consortium’s report contained the following conclusions:

- ◆ Implementation of CSR occurred rapidly, although it lagged in schools serving minority and low-income students; slower implementation for schools with higher percentages of minority students and low-income students was partially due to the difficulty urban districts faced in acquiring the needed space to expand the number of classrooms.
- ◆ The relationship of CSR to student achievement was inconclusive. Although student

achievement has been increasing since the first administration of the SAT-9 in 1997, the Consortium found only limited evidence linking these gains to CSR.

- ◆ CSR was associated with declines in teacher qualifications and a more inequitable distribution of credentialed teachers.
- ◆ CSR had only a modest effect on teacher mobility (teachers from urban schools moving in to suburban schools and upper grade elementary teachers moving into K–3). While there was some initial increase, the effect was small and soon disappeared.
- ◆ CSR implementation did not affect special education identification or placement.
- ◆ Students in reduced size third-grade classes received more individual attention, but similar instruction and curriculum. Teachers of reduced size classes were more likely to say they know what each student knows and can do, that they provide feedback on writing assignments within one day, that they give more individual attention to students, and are able to meet the instructional needs of all students. Teachers in reduced size classes also reported fewer behavior problems and reported that students were more likely to complete the lesson for the day.
- ◆ Parents liked reduced class sizes, with satisfaction levels “far higher” than parents of children in regular size classes.
- ◆ Classroom space and dollars were taken from other programs to support CSR. Most districts reported incurring operating costs for CSR that exceeded state payments for it.
- ◆ In spite of budget shortfalls, districts were not projecting CSR cutbacks for 2002–03. In fact, none of the 38 districts surveyed by the Consortium in 2002 indicated that they were contemplating elimination of CSR in the immediate future. Although some indicated that cuts to the CSR program were a possibility, they would be a “last resort” option given the popularity of CSR with parents and teachers.⁷⁷

The Consortium noted that maintaining small K–3 classes in California is likely to remain a priority. Accordingly, it provided several recommendations for changes in the program, including the following:

- ◆ The state should link CSR to the state’s overall strategic direction by ending its status as a freestanding categorical program and integrate it into and align it with the state’s standards-based policies.
- ◆ The state’s rules regarding appropriate cost attribution should be explicit, and districts should have reasonably predictable revenue streams so that they can make informed choices about implementing CSR.
- ◆ Local districts should have the flexibility to vary class sizes by up to two per class as long as the class size average within a school remains 20 or less.
- ◆ The state should further test CSR’s potential to improve the achievement of low-income/minority students by providing additional resources to create and evaluate pilots with even smaller class sizes in selected schools.
- ◆ The state should further test and evaluate cost-neutral alternative CSR strategies by providing incentives to a small number of districts to experiment.
- ◆ Further research should be conducted to determine what classroom practices are more effective in small classrooms and whether these differ from best practices in larger classes.

- ◆ Before undertaking any statewide effort to expand CSR to additional grades, policymakers should ensure the state has sufficient facilities and qualified teachers.
- ◆ California's education data system must be redesigned to allow researchers to link teachers and children with their achievement scores over time in order to better measure student gains from year to year.⁷⁸

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 CSR Consortium 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.

4. Kindergarten / Preschool Attendance

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

AB 25 (Mazzoni) (Chapter 1022, Statutes of 2000) created a ten-year Kindergarten Readiness Pilot Program (KRPP) to permit school districts to provide opportunities for children to enhance their readiness for kindergarten, thereby increasing their likelihood for future academic success. Among other things, AB 25 lowered the age of kindergarten admission by three months, and authorized a pre-kindergarten program in participating districts. The KRPP includes a long-term evaluation to examine, among other factors, the effects of age of admission on academic performance. Although the KRPP was supposed to become effective in the 2001–02 school year, subsequent measures⁷⁹ have postponed the required implementation of the KRPP, first until 2002–03 and then until 2003–04. Legislation currently pending in the Legislature⁸⁰ would further delay implementation of the KRPP until 2006–07.

AB 56 (Steinberg), currently pending in the Legislature, would—as of an unspecified date—make kindergarten attendance compulsory, and establish a voluntary school readiness program for participating entities to offer voluntary preschool for all children from three to four years of age, inclusive. According to the author, "[a] compelling body of scientific evidence demonstrates that a child's first five years of development is crucial to future success in school and in life. Educational opportunities must be provided during early childhood, not delayed until the child reaches five or six years of age. This measure would begin to implement the new Vision for California's Educational System, contained in the 2002 Master Plan for Education."⁸¹

a. Voluntary Universal Preschool: AB 56 and the Reiner/CTA 2004 Initiative

Perhaps the most ambitious new initiative in the child care area is AB 56 (Steinberg). In addition to making kindergarten mandatory for all five-year-olds, this measure would establish grants for school Readiness Centers (as defined by the California First 5 Commission) to improve child readiness for kindergarten—including an ambitious program of voluntary “universal preschool” for all three- and four-year-olds by 2014. Also, it would authorize expenditures for child access from birth to five for health and development screening and assessment services.

Related to AB 56, Rob Reiner and the California Teacher’s Association organized an initiative drive for the Improving Classroom Education Act, intended for the November 2004 ballot. The Act would add to the state Constitution a mandate for preschool opportunity for all four-year-olds. It does not extend public Kindergarten back one year, but rather absorbs existing preschool private providers who opt to participate into the system. Where they meet standards, they are allowed to continue receiving compensation based on the children receiving preschool education at their facility. Importantly, compensation is raised to \$7,500 per child, from the current \$4,800 received by state preschool providers, and the \$5,400 received by Head Start providers. After five to seven years of transition, all instructional staff will become employees of an applicable school district or county office of education. Hence, they will become “teachers” in a more widely recognized manner, and they would be included among the persons that districts and offices must negotiate with for salaries and benefits, and would bring them within the ambit of unemployment insurance and worker’s compensation benefits accruing to public teachers. Money from the initiative may also be used to purchase texts and instructional materials, equipment, school furniture and playground equipment. (See *supra* Chapter 6—Child Care, for more information on universal preschool proposals.)

On April 22, 2004, however, Rob Reiner and CTA suspended indefinitely further action on the measure. According to Reiner, “a crowded and complicated ballot—along with a volatile political climate—was going to make victory this November an uphill battle.”⁸²

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 California 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 153,029 students in 2002–03 from among the state’s 1.6 million English learners, as is indicated below:

Instructional Setting	Description	2002–03 Enrollment
Structured English Immersion (also referred to as Sheltered English Immersion):	Classes where English Learner (EL) students who have not yet met local district criteria for having achieved a "good working knowledge" ("reasonable fluency") of English are enrolled in an English language acquisition process for young children in which nearly all classroom instruction is in English but with a curriculum and presentation designed for children who are learning the language	773,132
Alternative Course of Study	Classes where EL students are taught English and other subjects through bilingual education techniques or other generally recognized methodologies permitted by law and where the pupils enrolled have been (1) granted a parental exception waiver; or (2) enrolled in any Alternative Education Program operated under the Superintendent of Public Instruction's waiver authority when such an alternative for EL students was established specifically to waive one or more sections of EC 300 through 340; or (3) enrolled in a Charter School program which offers any alternative course of study for EL students.	153,029
English Language Mainstream Classroom (with additional and appropriate services) - Students Meeting Criteria:	Classes where English learners who have met local district criteria for having achieved a "good working knowledge" ("reasonable fluency") of English are enrolled and provided with additional and appropriate services	550,437
English Language Mainstream Classroom (with additional and appropriate services) - Parental Request	CCR 11301(b) permits a parent or guardian of an English Learner to request, at any time during the school year, that a child placed in Structured English Immersion be transferred to an English Language Mainstream Classroom and provided with additional and appropriate services. Enter in this column the number of English Learners currently placed in English Language Mainstream Classrooms at the request of their parents.	42,400
Other Instructional Settings:	Classes or any other instructional setting other than those described in the previous columns.	80,544

In November 2001, important parts of Proposition 227 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.⁸³ 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.

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 students in the English immersion program performed somewhat better than those in bilingual programs. However, the new method of bilingual qualification (parental request for waiver of immersion) may pull in students with particular English difficulty, thus 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

Legislation enacted in 1992 authorized the creation of charter schools: publicly-funded K–12 schools that are subject to state testing and accountability requirements, but are exempt from many laws relating to specific education programs.⁸⁴ The concept is part of a general movement to challenge the 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.⁸⁵ As of 2001–02, there were 350 charters schools in California.

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.⁸⁶ 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 June 2003, RAND Education released its analysis of the state's charter schools, which currently enroll over 150,000 students. Key findings include the following:

- There is a wide variation among charter schools. For example, “conversion” charter schools (which previously existed as conventional public schools and typically retain an existing facility

as well as faculty and students when they become charter schools) differ from “start-up” charter schools (new entities that acquire facilities, faculty, and students at their inception). Also, classroom-based charter schools (which deliver instruction primarily in classroom settings) differ from nonclassroom-based charter schools (which make extensive use of nonclassroom settings). These and other differences can affect the accessibility, student achievement, operation, and governance of the schools, and result in their being no single charter school approach and no single charter school effect.

- Compared to students in conventional public schools in the same districts, California’s charter school students are more likely to be black and less likely to be Hispanic or Asian but no more likely to be white. Although white students are underrepresented in conversion schools, they are overrepresented in start-up schools.
- Regarding academic performance, the Rand study generally found comparable scores for charter schools relative to conventional public schools. However, significant differences in achievement were evident among different types of charter schools: students in conversion schools that deliver their instruction in the classroom have average test scores comparable to those of similar students in conventional public schools, whereas start-up schools that provide instruction in the classroom have slightly higher test scores on average. In contrast, students in conversion or start-up schools that deliver at least some of their instruction outside the classroom have lower average test scores than do similar students in conventional public schools.
- Of the three types of chartering authorities (school districts, county boards of education, and the California State Board of Education), most charter schools are authorized by school districts; most districts have authorized only one school. Few petitions for charter schools are formally denied and, once authorized, only a handful have been revoked or closed. Compared with conventional schools, charter schools report greater control over decisionmaking (as the law intends), but among charter schools differences exist. Only a small fraction of chartering authorities collect accountability information such as student grades and promotion and dropout rates.
- Charter schools, particularly start-up schools, report receiving less public funding per student than do conventional public schools. Part of the difference in resources is explained by charter schools’ low rate of participation in categorical programs such as the state’s transportation funding program and the federal Title I program.
- Charter school teachers have less experience and fewer teaching credentials than those in public schools, but they are more likely to participate in informal professional development.
- Charter schools report having more instructional hours in noncore subjects such as fine arts and foreign languages at the elementary school level, but they are less likely than matched conventional public schools to offer other types of programs (e.g., gifted).
- Start-up charter schools have a smaller proportion of special education students than do conventional public schools and are much more likely to mainstream their special education students—*i.e.*, serve them in a general education classroom—than are either conversion schools or conventional public schools.⁸⁷

In conclusion, the RAND Education study found “reasons for cautious optimism,” in that classroom-based charter schools are doing as well on average as conventional public schools in reading and math while offering (in the elementary grades) a wider range of other subjects. The report found “reason for concern,” however, about the performance of nonclassroom-based charter schools. The report recommended that California implement a statewide data system that can track the achievement of individual students longitudinally, as they progress from grade to grade, in order to enhance the ability of chartering authorities to identify poorly performing schools for focused intervention. The state should also require that chartering authorities collect and monitor fiscal information from charter schools, to

enhance fiscal oversight. In order to give the charter schools the best chance for long-term success, California should find ways to ensure that they have access to funding that is equivalent to that of conventional public schools. Such an effort might include modifying the block grants provided to charter schools and giving charter school operators better training and information so that they know which programs they qualify for. Finally, the low achievement of students in nonclassroom-based charter schools warrants further investigation of these schools, including the nature of instruction and use of resources.⁸⁸

Based on the findings of the RAND evaluation, the Legislative Analyst's Office (LAO) released a report in January 2004 containing several recommendations for improving charter schools in California. Initially, LAO recommended that the legislature remove the cap on annual growth of charter schools, opining that the original rationale for the cap—a safety precaution against the uncontrolled growth of an experimental entity—is no longer applicable. According to LAO, charter schools are neither new nor untested, and that two comprehensive charter school evaluations concluded that charter schools are viable educational reforms.

Next, LAO recommended that the Legislature modify the categorical block grant by shifting 14 currently excluded programs into the general charter school block grant, shift 10 currently excluded programs into the disadvantaged student component of the block grant, and make the associated cost-neutral adjustments to the underlying per pupil funding rates. LAO further recommended that the Legislature: (1) list all categorical programs requiring charter schools to apply separately in charter school law, (2) list all categorical programs for which charter schools are prohibited from applying in charter school law, and (3) modify these two lists, as needed, when categorical programs are newly established. LAO also recommend that the Legislature require the Department of Finance to calculate and publicly release block grant growth rates each January, May, and upon final passage of the annual budget act.

LAO further recommended that the Legislature (1) allow school districts to opt out of charter authorizing, such as when a school district lacks the infrastructure or expertise to assess charter documents and conduct meaningful oversight; (2) allow multiple types of organizations (such as accredited colleges and universities and nonprofit organizations that can meet specified criteria) to authorize charter schools; (3) direct the Department of Education to develop basic criteria that organizations must meet to become charter authorizers (at a minimum, the criteria should include an understanding of contracts and fiscal management, as well as school assessment and accountability); (4) require specific information annually from charter authorizers; and (5) allow the Board of Education to remove an organization's authorizing power if certain violations have occurred.

Finally, LAO made several recommendations aimed at clarifying and capping oversight fees (which are to cover the charter school monitoring and oversight activities by the charter authorizer) and facility fees (which are to cover maintenance costs). Among other things, LAO recommended that the Legislature (1) delineate more clearly between allowable facility fees and oversight fees; (2) cap facility fees and oversight fees at 2% and 1%, respectively, of a charter school's total revenues; and (3) eliminate the mandate-claims process for oversight costs.

Signed by then-Governor Davis before the release of LAO's report, AB 1137 (Reyes) (Chapter 892, Statutes of 2003) made several changes to charter school law relating to accountability, oversight, and funding opportunities. For example, the measure requires each chartering authority to identify a contact person from each charter school, annually visit each charter school, ensure that each charter school complies with specified reporting requirements, adjust the amount that may be charged for related administrative costs, and establish policies and procedures to monitor the fiscal condition of each charter school. The bill requires charter schools to submit various budget reports to its chartering authority and the county superintendent of schools, unless the county board of education is the chartering authority, and requires that a charter school meet at least one of specified academic performance criteria as a prerequisite to receiving a charter renewal after January 1, 2005, or four years of operation, whichever is later.

In order to provide charter schools with more funding predictability and programmatic flexibility, the Governor's proposed budget for 2004–05 shifts charter school categorical block grant funds to charter school general purpose entitlements (\$21.9 million) and the Economic Impact Aid program (\$14.5 million). To mirror the per-student funding for the programs in the Charter Categorical Block Grant that are shifted to general purpose funding for districts, an increase of \$24.5 million in total funding is provided for charters in addition to the shifted funds. The Economic Impact Aid portion of the former charter school categorical block grant is added to the Economic Impact Aid program item, with a distinct allocation for charter schools.

c. Social Promotion

Related to the dropout problem discussed above is its amelioration by simply passing students to the next grade level, and the conferral of graduation diplomas to students who lack the skills, knowledge, and abilities expected. In 1998, AB 1626 (Wayne)⁸⁹ required all school districts to adopt specified retention and promotion policies, aligned to the STAR exam, to address social promotion. The legislation was part of the Governor's accountability program, described below, and ties into the STAR testing and high school exit examinations.

However, data from Los Angeles schools released on November 30, 2000 indicated that social promotion patterns were continuing. The findings reveal that 66% of second graders and 96% of eighth graders who scored at or below the bottom five percentile of the Stanford 9 Exam were promoted.⁹⁰ Only 1% of eighth graders were retained.

In 2002, the Los Angeles Unified School District board voted unanimously to require remedial programs (such as summer school, intercession, after-school and weekend programs, and extra independent study time in class) for low-performing third-, fourth- and fifth-graders who fail to meet state academic standards. Prior to this vote, the district mandated remedial programs only for students in the second and eighth grades.⁹¹

Effective January 1, 2003, Education Code section 37252.2 provides that the governing board of each school district maintaining any or all of grades 2 to 9, inclusive, shall offer, and a charter school may offer, programs of direct, systematic, and intensive supplemental instruction to pupils enrolled in grades 2 to 9, inclusive, who have been recommended for retention or who have been retained pursuant to Education Code section 48070.5. A school district or charter school may require a pupil who has been retained to participate in supplemental instructional programs; however, the school district or charter school shall provide a mechanism for a parent or guardian to decline to enroll his or her child in the program. Such supplemental educational services may be offered during the summer, before school, after school, on Saturdays, or during intersession, or in a combination thereof. Services shall not be provided during the pupil's regular instructional day. Each school district or charter school shall seek the active involvement of parents and classroom teachers in the development and implementation of supplemental instructional programs.

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.⁹² In relation to body weight, children ingest on average two and one-half times the amount of water consumed by an adult.⁹³

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."⁹⁴ 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."⁹⁵ Even low

levels of lead in blood (10 ug/dL) can drop the IQ of young children measurably—and to below normal ranges.⁹⁶ The result “could be a tripling of the number of youngsters who need specialized educational services.”⁹⁷

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%.⁹⁸ 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.⁹⁹

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*.¹⁰⁰ 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.

Another critique of DHS performance to address high blood levels with treatment at the back end (when high blood levels are discovered) was released in May 2001, when the California State Auditor followed up her earlier critique of the program 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....”¹⁰¹ 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. To date, such augmentation has not been included in any state budget.

(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 repeatedly 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 with AB 2260 (Shelley) (Chapter 718, Statutes of 2000), which enacted the Healthy Schools Act (HSA) of 2000.¹⁰² 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.

In 2002, the Department of Pesticide Regulation conducted a survey to evaluate the first year's progress of the HSA. The survey was sent to almost 1,000 public school districts in California. The response rate was 42%. Highlights of the survey found that 70% of the districts that reported had adopted an integrated pest management (IPM) program even though it was voluntary. The largest group of responding districts indicated that their IPM programs resulted in more effective pest management. More than half of the responding school districts believe that IPM is not more expensive over the long term. However, more than one in four districts indicated that adopting IPM has increased their long-term costs.

The findings further indicated that at least 71% of the California school districts responding are in compliance with at least three of the four major HSA requirements. Record keeping showed the most room for improvement with just 60% of respondents reporting compliance. Forty-nine percent of respondents reported that their districts had officially adopted all four requirements, and were in full compliance.

As amended June 26, 2003, AB 1006 (Chu) would enact the Healthy Schools Act of 2003, prohibiting all public schools from using the most highly toxic pesticides, as listed, on school property. This bill would provide that its provisions would not apply to antimicrobial pesticide, products deployed in self-contained bait or trap or as a crack and crevice treatment, or activities undertaken by participants in agricultural vocational education, as specified. According to the author, AB 1006 “takes the Healthy Schools Act of 2000 one step further adopting IPM for school districts and thereby protecting public school children, teachers and workers. The program under AB 2260 has demonstrated the benefits of minimizing exposure to pesticides. Adoption of such programs should be easier now that DPR has developed a web site, written training materials, and can conduct regional training sessions to assist schools switch to an IPM program. Too many schools, however, still follow their old habits and spray according to schedule rather than need. Therefore, it is time to take the next step, and ban the use of the most problematic pesticides to ensure a safe learning and working environment in California's public schools.” At this writing, AB 1006 is pending in the Senate Agriculture and Water Resources Committee.

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.¹⁰³ 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.¹⁰⁴ 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.¹⁰⁵ The program provides teens with child development information, nutritional guidance, parenting skills, and assistance in developing community and family support systems.¹⁰⁶ 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.¹⁰⁷ DSS estimates that 9,179 parents under the age of 18 are participating.¹⁰⁸ 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 1999.¹⁰⁹ This program subsidizes childcare services for pregnant and parenting teens (see Chapter 6 above). The program's funds also converted other 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.¹¹⁰ 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.¹¹¹ 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.¹¹²

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 20.¹¹³ 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,¹¹⁴ and that 40% of girls from 15 to 18 years of age are classified as "sexually active."¹¹⁵ 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 operating in 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. These disparities and their equal protection constitutional law implications led to the leading *Serrano v. Priest* holding¹¹⁶ 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. The amount allotted per pupil by the state varies widely among school districts, with revenue differentials as great as \$3,000 per pupil in some circumstances.¹¹⁷ To address this disparity, the Legislature is currently considering SB 1046 (Committee on Budget and Fiscal Review), which would provide \$50 million to underfunded districts, to help balance school funding.¹¹⁸ The Governor's proposed budget for 2004–05 provides almost \$110 million for school

district revenue limit equalization to address the disparity in base general-purpose funding levels.

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.¹¹⁹ Peers may be less interested in academics, subject to nutritional deficiencies, language barriers, disabilities, etc. 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."¹²⁰ 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.

Williams v. State of California. In May 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. 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.¹²¹

In December 2000 the Governor surprised observers by filing a cross-complaint against the 18 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. The study found particularly wide disparity in percentages of uncredentialed teachers at the higher risk schools, where buildings and facilities were also in relative disrepair.¹²²

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 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 serving 1.7 million children had faculties with more than 20% “underprepared” (temporary certificates, waivers or interns) teachers. Some low-income school faculties had more than 50% in this category.¹²³

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.¹²⁴ The most severe shortages are in math, science, and special education, particularly for special needs children. The study further affirmed the skewing of expertise away from children most in need, finding that “a low performing student has a five-time greater chance of 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.¹²⁵

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 lowest 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 was stayed pending the outcome of the primary allegations of the class.

In September 2003, the plaintiffs filed a motion for summary adjudication of one of the issues being litigated: the state's duty to ensure equal access to instructional days for all California's public school students. This issue revolves around “Concept 6,” the year-round, multitrack school calendar system that boosts school enrollment capacity by 50%, but offers 17 fewer days of instruction each year than schools not on such a schedule. According to the plaintiffs, schools have been forced to adopt the

Concept 6 calendar system as a stopgap measure to house as many students as possible in existing school facilities. Concept 6 is currently in place at 202 schools in Los Angeles and Lodi, where approximately 300,000 students—mostly low-income and Latino children, most of whom are learning the English language—are subjected to its implications. According to plaintiffs, those implications are serious: (1) it segregates students across tracks denying some equal access to high-level courses and experienced teachers, diminishing their achievement and post-secondary opportunities; (2) it provides 17 fewer days of instruction, which are not compensated by the additional minutes tacked onto each day; (3) it requires disruptive classroom rotations that further reduce the quantity and quality of instruction; (4) it impedes the provision of vital intervention services to all at-risk students, who thus do not receive the equivalent of summer school; (5) it fails to coincide with the traditional school year, limiting access to enrichment and recreational programs; (6) it leads to increased use of combination-grade classes (*i.e.*, classes combining students from different grade levels) that result in lower teacher morale and reduced student achievement; and (7) it disrupts communication and development for staff who, because of their relative lack of training and experience, most need it. Thus, plaintiffs contend that these impacts of the Concept 6 calendar system “combine to deprive students of an ‘education basically equivalent to that provided elsewhere throughout the state,’ as confirmed by the appallingly low achievement of students at Concept 6 schools relative to students at all other schools in the state.”

g. Computers and School Technology Investment

Capital investment and expansion needs of K–12 and higher education are discussed below. But one particular area of plant upgrading is of particular interest—the modernization of technology at 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.

The Packard Foundation’s studies on Children and Computer Technology found important educational benefits and potential from computer access, and substantial disparities between the rich and poor (the “digital divide”). That report concluded that 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; and schools serving predominantly low-income children tended to have older, less functional computers and fewer computers in each classroom.¹²⁶

Another 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.¹²⁷ 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.

Accessibility to technology in California’s schools has increased over the past decade. A 1995 survey revealed that California’s students per computer ratio was 21—worst in the nation. 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.¹²⁸ The ratio fell to 6.97 students per computer by 2000, and was 4.97 in 2003 (see Table 7-K).

	2000	2001	2002	2003
Schools connected to the Internet	80%	90%	96%	98%
Classrooms connected to the Internet	58%	77%	84%	90%
Student / Computer Ratio	6.97	6.37	5.30	4.97
Student / Internet-Connected Computer Ratio	11.05	10.43	7.01	6.04

Student / Multimedia Computer Ratio	9.51	8.24	9.10	9.49
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TABLE 7-K. Connectivity and Access in California K–12 Schools¹²⁹

	Free and Reduced Lunch Eligible Enrollment				
	0–20%	21–40%	41–60%	61–80%	81–100%
Schools connected to the Internet					
2000	81%	85%	80%	76%	74%
2001	91%	92%	88%	91%	89%
2002	97%	97%	95%	96%	96%
2003	98%	98%	97%	98%	98%
Classrooms connected to the Internet					
2000	70%	64%	62%	53%	39%
2001	87%	80%	78%	73%	67%
2002	93%	86%	82%	78%	80%
2003	94%	90%	88%	87%	92%
Student / Computer Ratio					
2000	6.37	5.85	7.27	7.17	9.14
2001	5.89	6.14	6.16	6.48	7.29
2002	4.74	5.06	5.27	5.68	6.13
2003	4.63	4.86	5.05	5.24	5.51
Student / Multimedia Computer Ratio					
2000	8.45	8.47	10.11	9.47	12.18
2001	7.10	7.47	8.12	8.82	9.96
2002	7.72	8.39	9.16	9.98	11.45
2003	8.84	9.40	9.88	10.06	10.49

TABLE 7-L. Connectivity and Access by Measures of Poverty¹³⁰

However, the digital divide has not disappeared. Schools with high percentages of children from low-income families still lag behind in several respects, as illustrated by Table 7-L.

CDE’s Education Technology Office administers state and federal education technology grants and programs for California counties, districts, and schools. Those grants and programs include the following:

- California Technology Assistance Project (CTAP). CTAP is a regional technical assistance program that provides coordination and services in education technology based upon local needs in each of the eleven regions in California. Each CTAP region has developed and is implementing a plan to provide technical assistance in six key areas: (1) staff development; (2) learning resources; (3) hardware and telecommunications infrastructure; (4) operating and maintaining education technology infrastructure, including improving pupil record keeping and tracking related to instruction; (5) coordination with other federal, state and local programs consistent with state Board-adopted content standards; and (6) funding for technology. Proposed 2004–05 funding for CTAP is \$14.8 million.

- California Technology Assessment Profile (CTAP2). The CTAP2 is an online data collection and reporting tool that allows county, district, and school administrators to gather information on their staff’s technology proficiency and use of technology to support the teaching and learning process. CTAP2 contains a technology proficiency self-assessment instrument and a technology use survey instrument. The proficiency self-assessment is based upon rubrics established in alignment with the California Commission on Teacher Credentialing (CTC) technology standard for a California K–12 preliminary teaching credential.

- Digital High School. The Digital High School Program provides assistance to schools serving students in grades 9–12 so that these schools may install and support technology, as well as provide staff training. Two of the most important outcomes of the Digital High School Program are: (1) every classroom will be connected to the Internet by the end of the Technology Installation Grant and (2) technology will be integrated into the curriculum to enhance teaching and learning. The installation support is provided through the Technology Installation Grant, a one-time \$300 per student amount. Following the Technology Installation Grant, schools must submit a final report and a Certification of Completion of the Installation Grant. Schools that submit this certification are eligible to receive a

Technology Support and Staff Training (TSST) Grant in the second fiscal year following the year in which they were selected for the Technology Installation Grant. The TSST Grant is an ongoing \$45 per student per year. All such funding is contingent upon the local education agency providing an equivalent local match and the funds being appropriated each year. Funds for both the Technology Installation Grant Program and the TSST program have not been appropriated since 2001–02.

- Enhancing Education Through Technology (EETT). EETT program funding, made possible through the No Child Left Behind Act of 2001 will be used to improve student academic achievement through the use of technology in schools. Funds are distributed through formula and competitive grants. Approximately \$22 million is available for competitive grants under EETT grants, and an additional \$43 million will be distributed to LEAs and eligible local partnerships in formula-funded grants through EETT.

- E-rate. E-rate and the California Teleconnect Fund (CTF) are programs that provide discounts on telecommunications costs to eligible schools. Although there are differences in eligible services and discount rates, it is possible for schools to receive significant discounts on telecommunications costs by using both E-rate and CTF discounts together. E-rate is a federal program of the Federal Communications Commission administered by the Schools and Libraries Division of the Universal Service Administrative Company that provides eligible K–12 public schools and libraries 20% to 90% discounts on approved telecommunications, Internet access, and internal connections costs. E-rate discounts are based on the number of students eligible for the National Free Lunch Program. Schools and libraries in low-income urban communities and rural areas qualify for higher discounts. Although the E-rate application process can be difficult, every school district should consider applying for E-rate discounts.

While the E-rate program includes discounts for a wider range of telecommunications services, CTF offers discounts for measured business service as well as high bandwidth data lines. Although offering a smaller menu of eligible services, the CTF application process is simpler than E-rate. Applications for CTF discounts are submitted to telecommunications carrier, who will submit the completed eligible application to the Public Utilities Commission's Telecommunication Division. When CTF discounts are approved, the telecommunications carrier will discount the telecommunications to the school.

- Federal School Renovation Technology Grant (SRTG). CDE administered this federal program to fund hardware acquisition to lower the student-to-multimedia computer ratio in 4th through 8th grade classrooms. Approximately \$33 million in federal funding was made available to recently renovated schools in California through a competitive grant process. Eligible applicants included school districts and county offices of education serving any combination of grades 4–8.

Individual grant amounts were based upon \$2,000 per computer for the number of multimedia computers necessary to lower the student-to-multimedia computer ratio in the 4th– 8th grades to 10-to-one at the funded school. To qualify for this funding, a school must have been renovated, or will be renovated in the near future, as defined in the application.

- High-Tech High School (HTH). Established under AB 620 (Wayne) (Chapter 705, Statutes of 2001), this program provided five one-time grants to eligible school districts or charter schools for the purpose of establishing new high-tech high schools that will be operational no later than September 30, 2002. On May 29, 2002, the state Board of Education funded HTH grants at Anderson New Technology High School, Anderson Union High School District; Evergreen Valley High School, East Side Union High School District; MIT Academy High Tech High School, MIT Academy Charter School, Vallejo City Unified School District; Newark Memorial High School, Newark Unified School District; and High-Tech High-Los Angeles, Los Angeles Unified School District.

6. Categorical Program Spending

In addition to the general purpose "revenue limit" funding source, which supports core education program costs such as teacher and administrator salaries, lights and utilities, maintenance, and other costs, the categorical funding source supports specific supplemental costs. In 1992–93, the Legislature began grouping many such 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. The 2003–04 Budget Act currently contains more than 70 categorical programs that provide almost \$12 billion in state funds for a wide range of programs, including class size reduction, special education, teacher training, child nutrition, and others as indicated in Table 7-M.¹³¹ Some of these programs are designed to take advantage of federal subsidies (e.g., school nutrition programs); others are experiments with educational reforms, and others address particular statewide needs.

Table 7-M lists the Proposition 98 state spending for selected categorical programs. 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.

Governor Schwarzenegger is proposing to eliminate 22 categorical programs and transfer the funding to revenue limits. The categorical items displayed in bold in Table 7-M are among the 22 categorical programs proposed for elimination; the level of funding for those 22 programs is currently at approximately \$2 billion. According to the administration, the programs selected for consolidation meet one of three criteria: (1) the programs contain few restrictions on the use of funds; (2) the programs do not support services for special needs students; or (3) the programs have stable district allocations.¹³²

2004 May Revise. The Governor’s 2004 May Revise increases proposed funding for the 22 categorical programs that would be shifted into school districts’ general purpose allocations by \$36 million to reflect growth and cost-of-living adjustments.

	2002–03	Estimated 2003–04	Proposed 2004–05
Academic Improvement and Achievement	\$0	\$5,000	\$0
Administrator Training	\$5,282	\$0	\$0
Advanced Placement Programs	\$1,071	\$2,571	\$2,591
Advanced Placmnt Teacher Training	\$8,250	\$0	\$0
Agricultural Vocational Education	\$4,325	\$4,329	\$4,329
American Indian Education Centers	\$3,778	\$3,778	\$4,330
Beginning Teacher Support and Assessment	\$79,851	\$85,953	\$87,473
Bilingual Teacher Training	\$1,798	\$1,798	\$1,798
Charter School Block Grant	\$35,650	\$35,650	\$0
Child Development	\$1,133,298	\$1,177,585	\$1,279,597
Child Nutrition	\$71,632	\$73,308	\$78,195
Class Size Reduction (9 th)	\$110,185	\$110,185	\$110,185
Class Size Reduction (K–3)	\$1,659,336	\$1,659,336	\$1,651,775
Community Day Schools	\$32,205	\$32,205	\$32,798
County Office of Education Fiscal Oversight	\$10,723	\$9,723	\$9,723
Dropout Prevention	\$21,626	\$21,885	\$21,885
Economic Impact Aid	\$498,682	\$498,682	\$547,728
Educational Technology	\$14,510	\$14,810	\$14,810
Elementary School Intensive Reading Program	\$30,549	\$0	\$0
English Learners Student Assistance	\$53,200	\$53,200	\$53,200
Foster Youth Programs	\$8,752	\$8,752	\$8,752
Gang Risk Intervention	\$0	\$3,000	\$0
Gifted and Talented	\$56,536	\$46,536	\$46,536

	2003–03	Estimated 2003–04	Proposed 2004–05
Grade 7-8 Math Academies	\$12,760	\$0	\$0
Healthy Start	\$2,000	\$2,000	\$0
High Risk First Time Offenders Program	\$8,000	\$11,000	\$11,000
High Priority Schools Grant Program	\$172,909	\$219,547	\$193,141
Home to School Transportation	\$516,441	\$519,641	\$519,641
Instructional Materials Block Grant	\$292,775	\$175,000	\$363,000
Miller-Unruh Reading	\$28,929	\$0	\$0
Partnership Academies	\$21,657	\$22,999	\$22,999
School Age Families Education	\$48,801	\$48,845	\$49,744
School Improvement	\$429,191	\$387,190	\$396,055
School Library Materials	\$11,629	\$4,229	\$4,229
Special Education	\$2,711,073	\$2,686,728	\$2,674,600
Specialized Secondary Program	\$4,872	\$5,136	\$5,136
Staff Development Day Buyout	\$229,667	\$229,667	\$235,695
Student Assessment Testing	\$101,861	\$85,860	\$79,360
Summer School Programs	\$424,157	\$351,826	\$361,955
Supplemental Grants	\$241,739	\$161,739	\$161,739
Targeted Instructional Improved Block Grant	\$737,597	\$737,597	\$758,831
10th Grade Counseling	\$11,443	\$11,443	\$11,443
Year-Round Schools	\$84,147	\$84,147	\$84,147
Intervention Underperforming Schools	\$151,398	\$129,834	\$53,067
Prop 227	\$49,996	\$50,000	\$50,000
Total	\$1,013,428	\$9,772,714	\$9,991,487

Dollar amounts are in \$1,000s. Source: Governor’s Budget.

TABLE 7-M. Categorical Programs (Selected Items)

By including the categorical funds in the revenue limit, the proposal would extend flexibility to

districts over the use of the \$2 billion; the consolidated grant could be used for any purpose, not just those permitted by the 22 current programs.¹³³

Although specifically recognizing that programs providing support services for special needs students should not be considered for consolidation, two such programs are in fact included in the Governor's proposal: (1) the English Learners Assistance Program, and the Targeted Instruction Improvement Block Grant, which—among other things—includes funding for use in voluntary desegregation programs for instructional purposes for low-performing students.

7. Accountability Initiatives

The Public School Accountability Act¹³⁴ (PSAA) was the centerpiece of former Governor Davis' educational platform. The Act establishes the Academic Performance Index (API) to rate the performance of schools, both over time and between schools. The API is a numeric index (or scale) that ranges from a low of 200 to a high of 1000. A school's score on the API is an indicator of a school's performance level. The statewide API performance target for all schools is 800. A school's growth is measured by how well it is moving toward or past that goal. A school's base year API is subtracted from its growth API to determine how much the school improved in a year. 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 uses 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 based on demographics (socioeconomics, parent education level, and English fluency).

In March 2004, State Superintendent of Public Instruction Jack O'Connell released the 2003 API base scores, growth targets, and school rankings for more than 8,000 eligible California schools. Although California 's schools are making progress toward reaching the state's 800 mark—overall, 21.7% are currently at or above this threshold, compared to 15.5% in 2002—the news is better for elementary schools than high schools. The percentage of the state's elementary schools at or above 800 is 26.3%, up from 20.1%, which the percentage of the state's high schools at or above 800 is only 7.4%, up from 4% in 2002.¹³⁵

The second major component of the PSAA is intervention to assist low-performing schools, including those in the bottom half for two consecutive years. Effective January 1, 2004, the term "low-performing" was changed to "high priority" pursuant to AB 96 (Bermudez) (Chapter 91, Statutes of 2003). By law, the term "high priority" describes schools ranked in deciles 1 to 5, inclusive, on the API. Beginning in 1999–2000, schools in California whose student scores were in the bottom half of all schools are eligible to apply for the Immediate Intervention/Underperforming Schools Program (II/USP). Upon approval of their plan, schools qualify for implementation grants of \$200 per pupil (but at least \$50,000), which the school must match.¹³⁶ The Governor's proposed budget for 2004–05 includes \$77.4 million, including federal funds, for the third year of implementation funding for schools that made significant progress but did not reach their growth targets, as well as schools in the Comprehensive School Demonstration Program. Also, the Governor's proposed budget includes \$32.7 million, including federal funds, for sanctions for those schools that failed to make significant progress during the two years they were provided with implementation funding.¹³⁷

Under the High Priority Schools Grant (HPSG) Program passed in October 2001, schools in the bottom 10% based on test scores are to participate in an intervention program whether or not their scores are improving. The HPSG, which sets up some new requirements, has been integrated with the II/USP and CSR. Participating schools are eligible for \$400 per pupil (\$200 if the school is also part of II/USP).¹³⁸ The Governor's proposed budget for 2004–05 includes \$208.6 million (including federal funds) for the third year of funding for the HPSG, which provides up to \$400 per pupil to the lowest-performing schools in the state to improve academic performance.

If a participating school does not meet its state-defined performance goal, it is subject to local interventions by the school district and eventually state interventions. These could include falling under the control of the State Superintendent of Public Instruction. Of the original 430 participating schools, 24 faced sanctions as of December 2002 because their APIs had not improved for the previous two years. These 24 schools were required to adopt recommendations of an external team that reviewed the school's performance.¹³⁹

On the carrot side, the law permits the Governor to issue awards to schools which meet or exceed their performance goals. These awards include the following:

Governor's Performance Awards. These awards are granted to school staff when the school's API improves by 5 points, or when achieving a 5% API score increase from the prior year score subtracted from 800,¹⁴⁰ 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 1999–2000 had to be distributed to an unexpected number of schools, providing only \$69 per student, or less than half the amount promised. The \$144.3 million appropriated during 2000–01 resulted in only \$79 per student. No funding has been appropriated for this program since.

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 Incentives. 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 was subject to local collective bargaining agreements. No funding has been appropriated since.

One disturbing study of the early results of the API bonus system indicated that qualifying schools through 2001 were 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.”¹⁴¹ 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 system should be adjusted to provide incentives to those schools that 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 included 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, and smaller class sizes, especially for the middle school grades (grades 4–8). The creation of the Professional Development Institutes was supported (see below), 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 that “from the top” paperwork consumed as much in resources as any resources the paperwork might 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.¹⁴²

8. Teacher Quality / Development

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.”¹⁴³ One recent survey indicated that credential levels have improved, with 86% of K–3 teachers fully credentialed by 2000–01.¹⁴⁴ However, the distribution remains a problem, with 96% of teachers serving higher income families credentialed, and the percentage serving lower income communities at 79%.¹⁴⁵

Currently, eleven different teacher support and development programs are funded through Proposition 98; each program has a slightly different objective and is designed for a slightly different group of teachers.¹⁴⁶ The Governor’s proposed budget for 2004–05 includes several changes to these existing programs. First, it proposes the elimination of the pre-intern program, as pre-interns have not demonstrated subject matter competency and do not meet the new federal requirements for highly qualified teachers. Next, the Governor proposes to shift funding for the following seven teacher-related programs into revenue limits: Staff Development Buyout Days (\$235.7 million as proposed for 2004–05); Beginning Teacher Support and Assessment (\$87.5 million as proposed); Intersegmental Staff Development (including the College Readiness Program and the Comprehensive Teacher Education Institutes) (\$2 million as proposed); Bilingual Teacher Training (\$1.8 million as proposed); Mathematics and Reading Professional Development (\$31.7 million as proposed); and Peer Assistance and Review (\$25.9 million as proposed). The three teacher-related categorical programs that would remain as such under the Governor’s proposal are the National Board Certification Incentives (\$7.3 million as proposed for 2004–05); the Intern Program (\$24.9 million as proposed); and the Paraprofessional Teacher Training Program (\$6.6 million as proposed).

9. Federal Funding, Accountability, and Assessments for K–12 Education

The federal No Child Left Behind Act provides substantial money for specific federal purposes involving accountability and incentive measures. Most federal programs provide grants to states or 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 different fiscal years, with the state’s running from July 1 to June 30, and the federal fiscal year from October 1 to September 30.

a. Major Federal Categorical Spending

Table 7-N 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).

The No Child Left Behind Act 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. 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.

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b. Federal Title I Funding

Program	2002	2003	2004
No Child Left Behind Act of 2001 Programs			
ESEA Title I Grants to Local Education Agencies	\$1,448	\$1,651	\$1,778
ESEA Title I Even Start	\$31	\$31	\$23
ESEA Title I Reading First State Grants	\$133	\$143	\$150
ESEA Title I Migrant	\$128	\$128	\$128
ESEA Title I Neglected & Delinquent	\$4	\$4	\$3
ESEA Title I Comprehensive School Reform	\$31	\$31	\$0
Impact Aid Basic Support Payments	\$55	\$64	\$54
Impact Aid Payment to Children w/ Disabilities	\$4	\$4	\$4
Impact Aid Construction	\$1	\$1	\$1
Impact Aid Payments for Federal Property	\$15	\$23	\$21
Improving Teacher Quality	\$332	\$341	\$330
Mathematics and Science Partnerships	\$0	\$14	\$0
21 st Century Community Learning Centers	\$41	\$76	\$82
Educational Technology State Grants	\$85	\$90	\$95
State Grants for Innovative Programs	\$47	\$46	\$47
State Assessments	\$29	\$31	\$32
Education for Homeless Children and Youth	\$7	\$8	\$7
Rural and Low-Income Schools Program	\$3	\$3	\$0
Small, Rural School Achievement Program	\$4	\$4	\$0
Indian Education — Grants to LEAs	\$7	\$7	\$7
Fund for the Improvement of Education — Comprehensive School Reform	\$9	\$9	\$0
Safe and Drug-Free Schools and Communities State Grants	\$62	\$61	\$51
State Grants for Community Service for Expelled or Suspended Students	\$7	\$7	\$0
Language Acquisition State Grants	\$117	\$139	\$154
Subtotal, Above Programs Comprising the No Child Left Behind Act of 2001	\$2,601	\$2,915	\$2,967
Other Miscellaneous Programs			
Special Education—Grants to States	\$782	\$933	\$1,009
Special Education—Preschool Grants	\$40	\$40	\$40
Special Education—Grants for Infants & Families	\$50	\$52	\$54
Vocational Rehabilitation State Grants	\$243	\$248	\$252
State Grants for Incarcerated Youth Offenders	\$2	\$2	\$0
Federal Pell Grants	\$1,417	\$1,425	\$1,402
Federal Supplemental Education Opportunity Grants	\$77	\$80	\$77
Federal Work-Study	\$111	\$111	\$111
Federal Perkins Loans - Capital Contributions	\$11	\$11	\$0
Leveraging Educational Assistance Partnership	\$10	\$10	\$0
Federal Direct Student Loan Program	\$1,075	\$1,173	\$1,254
Federal Family Education Loan Program	\$2,569	\$2,833	\$3,049
Byrd Honors Scholarship	\$5	\$5	\$5
Subtotal, Miscellaneous Programs	\$6,392	\$6,923	\$7,253
Total, Federal Child Related Non-Nutrition Educational Spending	\$8,993	\$9,838	\$10,220

Dollars in millions.

**TABLE 7-N Federal Education Spending
Allocated for California 2002–04**

Table 7-1 indicates the recent growth in federal contributions for K–12 education (see “federal funds” line). The federal government contributed an unadjusted \$5.97 billion during 2002–03, with an increase to \$6.69 billion in the current year, and \$6.73 billion for proposed 2004–05. Outside of nutrition and special education (discussed in Chapters 3 and 5), 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. Started in 1965 as part of President Johnson’s “War on Poverty,” the Title I program is now the largest federal K–12 education program and the fourth largest formula grant of any kind.

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 1965–80 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 paraprofessionals 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 always received its fair share. In 1991, the state received just \$512 million of the nation’s \$5.6 billion, or 9.2% of the nation’s total expenditures. The state’s low share of Title I funds was largely due to the use of poverty figures that were updated only every ten years. Until 1992, the program was funded based on 1980 decennial Census numbers for poverty. Use of poverty figures from the 1990 Census began in fiscal year 1993, resulting in a sharp increase in California’s share of funds between 1992 and 1993, and by 2001, the state’s share of Title I expenditures had risen to \$1.01 billion from the Title I grant, or 12.4% of the nation’s \$8.1 billion total.¹⁴⁷

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

New education programs have been included in several recent federal budgets.¹⁴⁸ The former 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.

Aside from the California allocated spending discussed 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, and would 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 in 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 three- to five-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.

Additionally, in 2002, subtitle VII-B of the McKinney-Vento Act—which provides federal funds to assist states in ensuring that children and youth in a wide variety of homeless situations can enroll and succeed in public schools—was reauthorized as part of NCLB. The Act covers children and youth in a variety of unstable living situations, such as sharing the housing of others due to loss of housing or economic hardship; living in motels, hotels, campgrounds, or shelters; sleeping in cars, parks, bus/train stations or public places; or awaiting foster care placement.¹⁴⁹ Among other things, the McKinney-Vento Act requires school districts to keep students in their schools of origin the entire time they are homeless, to the extent feasible; requires the immediate enrollment of students, even if documentation or other requirements have not yet been satisfied; requires all school districts to designate a staff person to ensure that children and youth in homeless situations are identified and enrolled in school and receive all necessary services; prohibits segregating students experiencing homelessness in separate schools, programs, or settings; and provides basic procedural safeguards, including the right to attend the school of choice while disputes are pending, and rights to written notice regarding disputes.¹⁵⁰

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

Overall investment in recent education reforms has been significant. However, effective budget investment for children is undermined by several *caveats*, as follows:

a. 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 amount actually budgeted for teacher development and accountability has represented a small portion of the K–12 education budget.

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.

b. Substantial Waste

Governor Wilson offered \$10,000 bonuses to teachers who earned “national certification.” Governor Davis added \$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? 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 quarter of a billion 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. Less than 10% of that amount was directed to bonuses for new high quality teachers in the low performing schools. 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.

Another example of waste is the expenditure of “rewards” for all students scoring high on standardized tests—regardless of need. 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 Scholars Awards Program.” The funds involved come from taxpayers, not the Governor. Awards for fiscal year 2003–04 were not funded and no awards will be granted to students for exams taken in 2003.

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.

c. Insufficient Outcome Measurement

A substantial portion of money is committed to “professional development” of existing teachers, including institutes. Do the results warrant the substantial investment undertaken? Some of the new programs 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—and some might not. An automatic proportion of all new program money should be reserved for independent evaluation to determine the merits of larger scale funding, adjustment, or termination.

d. Misleading Budget Claims

It is a common practice for Governors to announce that proposed K–12 education spending constitutes a spending increase per pupil from the current year. Any such increase is frequently achieved by reducing current year spending, and/or by moving current year spending from the last month of the current year to the first month of the next fiscal year. Further, the spending totals in the budget documents of the Governor and Legislature fails to adjust year to year for inflation, falsely implying that small raw number increases mean added investment in children.

e. Diversion or Non-Use of Federal Money for Children

New federal funds intended to add to current state efforts for education is often diverted through “supplantation” for general fund reduction to avoid new revenue demand. For example, \$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 The state has also failed to fully allocate federal funds available for education, putting the funds at risk of diverting back to the federal government. LAO estimates that the Governor's proposed budget for 2004–05 could result in the state returning over \$13 million of Title I funds to the federal government in October 2005.

f. 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), and Chapter 6 (child care/development) indicate, 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 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.

B. Higher Education Investment and Access

The data suggests 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 reductions 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 Governor’s budget for 2004–05 provides \$32.3 billion from all sources for higher education, 2.6% higher more than the Governor’s revised proposal for 2003–04. However, the proposed 2004–05 general fund contribution to higher education is 2.3% less than the revised 2003–04 figure. The overall increase in higher education funding is attributable to changes in non-general fund revenue sources (property tax revenue, federal funds, and other funds), and to an overall 18.2% increase in student fees. The Governor’s proposed budget does not include funding for enrollment growth or cost-of-living adjustments at public universities, but does provide funding for 3% enrollment growth at community colleges.¹⁵²

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 \$11.1 million (\$2 million general fund), dropping slightly to \$11 million as proposed for 2004–05.

	Change from 2003–04
Eliminate general fund support for outreach programs at UC and CSU	– \$60,600,000
Reduce freshman enrollment growth at UC and CSU by 10%	– \$45,900,000
Increase UC and CSU undergraduate fees by 10%	– \$103,900,000
Increase UC and CSU graduate fees by 40%	– \$106,000,000
Increase UC and CSU nonresident tuition by 20%	– \$49,000,000
Reduce general fund subsidy for professional schools	– \$42,600,000
Increase CCC fees by 44%	– \$73,400,000
Impose excess units surcharge at UC and CSU	– \$33,700,000
Impose surcharge on CCC students with baccalaureate degrees	– \$17,600,000

Reduce Cal Grant income ceilings	– \$11,200,000
Reduce maximum Cal Grant awards for students at private colleges	– \$32,700,000
TOTAL DISINVESTMENT	– \$576,600,000

TABLE 7-O. Major Components of Governor Schwarzenegger’s Disinvestment in Higher Education: Proposals for 2004–05¹⁵³

As presented in January 2004, Governor Schwarzenegger’s proposed budget for 2004–05 includes several major reductions in higher education investment. Combined, these changes would result in over a half billion dollar disinvestment in our young adults, and would significantly add to the state’s ongoing failure to ensure appropriate student access to higher education. The major components of the Governor’s higher education reductions are set forth in Table 7-O. Many of these proposals are discussed in more detail below.

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

The 2004–05 proposed budget includes \$18.4 billion for the UC system (\$2.7 billion general fund) and \$5.8 billion for the CSU system (\$2.4 billion general fund). As is noted in Table 7-O, Governor Schwarzenegger is proposing a 10% reduction in enrollment of new freshmen for both UC and CSU. Pursuant to Governor Schwarzenegger’s proposal, student fees in both systems would increase 10% for undergraduates, 40% for graduate students, and 20% for nonresidents.

The Governor is also proposing a long-term fee policy applicable to the UC and CSU systems, linking undergraduate fees to the change in per-capita personal income, which reflects the ability of families to pay additional fees. However, the Governor is also proposing that the policy be flexible enough to increase fees by as much as 10% annually. Under the Governor’s proposal, UC and CSU would be able to increase graduate student fees at rates that are higher than the annual growth in per capital personal income until the graduate fee at each segment is 50% higher than the undergraduate fee; once that threshold is reached, graduate fees would increase at the same rate as undergraduate fees.

According to CPEC, the total average cost of UC education for 2001–02 for a general campus student is \$16,287. (The “total cost of attendance” for students attending a public university in California includes the cost of all required institutional charges for full-time enrollment during the regular academic year, on-campus room and board, books and supplies, transportation, clothes, and personal expenses.) 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 1990–91 levels. That is, more high school graduates had a place in the state’s higher education system in 1990 as they do currently, or as proposed for 2004–05. 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.

Higher Education Compact. In May 2004, the Schwarzenegger Administration entered into a Higher Education Compact with UC and CSU, beginning in 2005–06 and lasting through 2010–11; among other things, the purpose of the compact is to bring financial stability and enhanced academic quality to the UC and CSU systems.¹⁵⁴ One of the most significant features of the Compact guarantees annual fixed increases in base state general fund support, starting in 2005–06 and continuing through 2010–11, to be used for activities including core instruction, academic and institutional support, faculty and staff salary and benefit increases, inflation, and facility maintenance. Other elements of the compact

include the following:¹⁵⁵

- The annual base budget increases will be 3% in 2005–06 and 2006–07, increasing to 4% in 2007–08, and 5% in 2008–09 through 2010–11. The additional 1% increase provided beginning in 2008–09 will be specifically for core academic support needs, including instructional equipment, instructional technology, libraries, and ongoing maintenance. Depending on the state’s fiscal condition, other initiatives mutually agreed upon by the segments, the Governor and the Legislature, either through legislation or through the budget process, may be funded.

- UC and CSU will receive enrollment growth funding sufficient to sustain 2.5% annual growth. This is equivalent to an annual increase of 5,000 full-time equivalent students (FTES) at UC and 8,000 FTES at CSU. Enrollment growth funding will be provided at the agreed-upon marginal cost rate.

- UC and CSU committed to increase undergraduate fees by no more than an average of 10% a year over the next three years. Fee increases in 2004–05 will be 14%, but no more than 8% in both 2005–06 and 2006–07. Beginning in 2007–08, fees will increase by the rate of growth in per capita income, unless fiscal conditions require larger increases as determined by UC or CSU, in consultation with the Administration. UC and CSU also committed to phase in progress toward the Administration’s policy goal for graduate fees to be 50% higher than undergraduate fees. Of all annual revenues generated by fee increases, UC and CSU will set aside from 20–33% for financial aid purposes.

- The May Revise also references a “negotiated assurance” that in 2004–05, UC will spend \$12 million and CSU will spend \$45 million on outreach programs.¹⁵⁶

2. Community Colleges

The California Community College (CCC) 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 1.104 million students, and is projected to have an enrollment of 1.137 million in 2004–05. As Table 7-P indicates, total revenue for 2004–05 represents a 4.4% adjusted increase from current year revenue. Actual proposed spending for 2004–05 is \$6.623 billion, up 6.6% from the 2003–04 funding level.

The 2003–04 budget act increased tuition for California’s community colleges (CCC) by 64%, from \$11 per credit to \$18 per credit. In his proposed budget for 2004–05, Governor Schwarzenegger proposed yet another fee increase, this time raising the per unit fee to \$26. Combined, these two hikes would effectuate an unprecedented fee increase of 136.4% for community college students over just two years. Child advocates are concerned that the Schwarzenegger Administration will increase these fees even further, up to the national average of \$64 per unit. Given California’s high cost of living and related expenses, many students would have to forego higher education completely—even at the community college level—if California’s fees were to rise to the national average.

	1990-91	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$1,793	\$1,600	\$1,871	\$2,108	\$2,260	\$2,552	\$2,797	\$2,847	\$2,880	\$2,371	\$2,636
Local Property Taxes	\$791	\$1,348	\$1,336	\$1,423	\$1,488	\$1,585	\$1,713	\$1,854	\$1,981	\$2,115	\$2,264

Student Fees	\$72	\$167	\$164	\$167	\$160	\$155	\$157	\$164	\$169	\$265	\$356
Other	\$652	\$779	\$838	\$932	\$1,117	\$1,035	\$1,326	\$1,591	\$1,610	\$1,610	\$1,611
Total Revenue	\$3,308	\$3,894	\$4,209	\$4,630	\$5,025	\$5,327	\$5,993	\$6,456	\$6,640	\$6,361	\$6,867
Adjusted Revenue	\$5,246	\$4,874	\$5,054	\$5,432	\$5,734	\$5,930	\$6,461	\$6,871	\$6,847	\$6,361	\$6,644

Adjusted to deflator and 0–19 population (2003–04=1.00). Adjustments by Children's Advocacy Institute.
Source: Governor's Budget Summaries. Dollar amounts are in \$1,000,000s.

TABLE 7-P. Community College Revenue Sources

Despite his proposal to raise fees to \$26 per unit, Governor Schwarzenegger is estimating that community colleges will experience a 3% enrollment growth in 2004–05. Any such “growth” would be primarily due to the state’s failure to adequately fund the necessary number of slots at UC and CSU schools. In fact, community college advocates predict that the Governor’s budget would require the state’s community colleges to turn away 39,600 students—primarily in order to make room for the students who will be redirected from the UC and CSU systems.¹⁵⁷

2004 May Revise. For 2004–05, the Governor’s 2004 May Revise increases Proposition 98 general fund support for community colleges by \$620.4 million, most of which is related to a reduction in local property tax revenue.¹⁵⁸ Among other things, the May Revise also increases the cost-of-living increase for certain categorical programs from 1.84% to 2.41%, and increases apportionment funding by \$18.4 million to reflect lower estimates of fee revenue and higher estimates of fee waivers.¹⁵⁹

Child advocates believe that over the next five to seven years, community college enrollment must increase substantially above population growth, and must train another 500,000–700,000 students for technical, engineering, business, and service employment. 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

a. Financial Aid Overview

The state is one of several sources of student aid, accounting for about 15% of what students receive. Higher education opportunity for most of California’s youth now depends significantly on increasing slots, more scholarships, and—most important—access to deferred student loans. 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. Accomplishing this transformation requires financial aid assistance which outstrips tuition and population growth by a large margin.

Table 7-Q presents total state financial aid to California’s students. It includes grant programs administered by the UC, Cal State, and community college systems, respectively, and an overall system of Cal Grants administered by the Student Aid Commission. The two sources for these grants are the state general fund and student fees. In 2000–01, student fees accounted for 23% of the total; by 2004–05, student fees will account for 34% of the total.

	1992-93	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
UC	\$130,704	\$180,700	\$195,481	\$196,427	\$212,299	\$226,864	\$234,054	\$259,700	\$287,761	\$355,654	\$388,758
Cal State	\$84,989	\$110,047	\$114,588	\$115,974	\$120,527	\$127,386	\$131,618	\$135,563	\$132,716	\$208,867	\$217,917
Community Colleges	\$28,291	\$94,050	\$100,486	\$101,636	\$95,275	\$85,928	\$89,351	\$91,853	\$94,609	\$161,606	\$251,793
Student Aid Comm'n	\$142,831	\$236,768	\$264,671	\$295,199	\$343,409	\$385,379	\$487,438	\$543,962	\$569,024	\$630,165	\$683,999
Total	\$386,815	\$621,565	\$675,226	\$709,236	\$771,510	\$825,557	\$942,461	\$1,031,078	\$1,084,110	\$1,356,292	\$1,542,467
Adjusted Total	\$553,721	\$777,971	\$812,620	\$834,089	\$882,078	\$921,142	\$1,016,109	\$1,097,378	\$1,117,978	\$1,356,292	\$1,492,286

Adjusted to deflator and 0-19 population (2003-04=1.00). Adjustments by Children's Advocacy Institute.
 Source: Governor's Budget Summaries. Dollar amounts are in \$1,000s.

TABLE 7-Q. Total Student Financial Aid Grants

The total grant funding of Table 7-Q 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 were made to increase funds available for Cal Grants (see below).

b. Cal Grant Program

In the late 1990s, 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. At the same time, just 40% of low-income students who were eligible for the primary state scholarship award available—Cal Grants—received help in 1999 due to funding limitations.

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 as 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, thus expanding the Cal Grant program to cover additional unfunded youth.

The Cal Grant has three major variations:

- (1) Cal Grant A pays up to \$9,708 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 \$1,551 for books and expenses the first year (usually a community college) and in a second year up to \$9,708 for students attending a four-year college.
- (3) Cal Grant C provides maximum tuition and fees of \$2,592 and a maximum \$576 book allowance for vocational or occupational training.

Additionally, Cal Grant T provides tuition and fee funding for teacher credentialing student costs, up to \$9,708. 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.

This Cal Grant expansion was tremendously 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.¹⁶⁰

In April 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 included: lack of outreach, a false assumption that 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. Thus, the promise of substantial new scholarship funding through Cal Grant expansion—perhaps the single most important commitment to youth made by the former Davis administration and state legislature—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.

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 where there is an ability to pay, but no enrollment slot. 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.

Instead of making these necessary investments to ensure the availability of higher education for our youth, Governor Schwarzenegger's 2004–05 proposed budget includes several components that will move higher education out of reach for many students:

- Governor Schwarzenegger proposed to reduce Cal Grant income ceilings—the maximum allowable income for Cal Grant recipients—by 10%. For example, the current income ceiling for a family of four is \$67,600; under the Governor's proposal, the maximum income would be cut to \$60,840. Thus, fewer students would qualify for Cal Grants under the Governor's proposal, saving the state \$11.2 million, but ending the dream of higher education for many young Californians.
- The Governor proposed to reduce the maximum Cal Grant award for students at private colleges and universities from \$9,708 per year to \$5,482 per year—an amount equal to the annual undergraduate fee at UC schools, if the Governor's proposed 10% fee hike takes effect in 2004–05. The Governor estimates that this cut would save the state \$32.7 million.¹⁶¹
- Governor Schwarzenegger proposed to “decouple” Cal Grant awards from UC and CSU tuition levels. In other words, the state historically increased Cal Grant awards to cover the undergraduate fee increases proposed for UC and CSU; the Governor is proposing to cease that practice in order to save the state \$23.6 million in 2004–05.

May Revise 2004. In his May Revise, Governor Schwarzenegger withdrew his proposal to decouple Cal Grant award amounts from fee increases at UC and CSU, and provided a \$34.2 million augmentation to cover the 14% undergraduate fee increases that UC and CSU plan to implement in 2004–05 (see above).¹⁶² The Governor also provided an augmentation of \$31.9 million associated with revised estimates of the number of Cal Grant entitlement awards that will be issued in 2004–05, but also included a \$5.4 reduction to reflect the reduced number of Cal Grant competitive awards the Commission is authorized to issue in 2004–05 (lowering the number of awards from 22,500 to 16,875).¹⁶³ The May Revise also calls for a one-time general fund reduction of \$134 million, to be backfilled with “surplus funds” from the Commission's Student Loan Operating Fund. Thus, the May Revision makes a net general fund reduction of \$73.3 million from the funding levels contained in the January budget proposal.

c. Loan Programs

Also administered by the Student Aid Commission, the Assumption Program of Loans for Education (APLE) is a competitive teacher incentive program designed to encourage outstanding students to become teachers in (1) subject areas where a critical teacher shortage has been identified or (2)

designated schools that meet criteria established by the Superintendent of Public Administration. Designated schools include those that serve a large population of students from low-income families; are located in rural areas; have a high percentage of teachers holding emergency permits; and rank in the lowest 20th percentile of the Academic Performance Index (API).

Under the provisions of the APLE, the Commission may assume up to \$11,000 in outstanding educational loan balances for each participant who serves as a K–12 public school teacher in California. To receive the full \$11,000 loan assumption benefit, participants must provide four consecutive years of full-time teaching service in either the subject matter shortage area or the designated school type. Additionally, APLE participants who agree to, and provide, the designated teaching service in the areas of math, science, or special education will be entitled to as much as \$4,000 in additional loan assumption benefits. APLE participants who meet these requirements and provide their teaching service in a California public school that is ranked in the lowest 20th percentile of the API Index will be eligible to receive an additional \$1,000 per year in loan assumption benefits for a possible total benefit of up to \$19,000.

Regrettably, Governor Schwarzenegger’s 2004–05 budget proposal would reduce the number of APLE warrants from 7,700 to 3,500; according to the Governor, reducing the annual number of new awards will save out-year costs of as much as \$56 million for each cohort as the warrants are redeemed.¹⁶⁴

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.

d. California Chafee Grant Program

On March 4, 2004, the California Student Aid Commission announced the rollout of the California Chafee Grant Program, a federal educational voucher program that gives up to \$5,000 annually to former foster youth between the ages of 16 and 21. The Chafee Grant provides free grant dollars to be used for college or job training. To apply, foster youths must have been in foster care on their 16th birthday, and not reached their 22nd birthday as of July 1, 2003. To receive a grant, the applicant must be enrolled in a college or vocational school, and at least half time in a course of study that is at least one year long, and maintain satisfactory academic progress.¹⁶⁵

In February 2003, the federal government authorized \$42 million for all states for Chafee Education and Training Vouchers for former foster youth. California is receiving nearly \$8 million to use for Independent Living Program-eligible foster youth. This is the first year the program has been funded, and future year funding depends on federal budget appropriations.¹⁶⁶

e. Financial Aid Summary

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

Recent changes in federal law allow family members, charitable groups, or private donors to establish a special “savings account” for each student of K–12 age. The law allows a maximum investment of \$2,000 a year per child, where modified adjusted gross income is less than \$190,000 for

married couples filing jointly or \$95,000 for single filers. Interest and money contributed and withdrawn for education related expenses, including tutoring, computers, and private school tuition would be tax free. The account will cost the government \$1.6 billion over ten years. 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 higher tax brackets, with \$40,000–\$100,000 per year in taxable income (usually \$60,000–\$150,000 in gross income) and their children.

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 by a parent to such a plan in the first year (or \$110,000 if contributed by two parents). 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, the Uniform Transfer to Minors Act (UTMA), allows 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, primarily through 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.

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

Many of California's schools lack proper facility maintenance and 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 achieve status 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 are matched by 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.¹⁶⁷ 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 permanent classrooms to replace 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 classroom 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.¹⁶⁸ The Department of Finance estimated in 2001 that beyond the school financing discussed above, the state needs another \$9 billion.¹⁶⁹ 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.¹⁷⁰

In March 2000, the electorate rejected Proposition 26, which would have allowed local school districts to approve school bond measures by majority vote instead of the two-thirds vote currently required. At the time, 38 states allowed 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 lowered the supermajority necessary to approval school bonds to 55% under certain conditions. A review of prior election results indicates a substantial number which failed to make the necessary 66.7% would meet the 55% threshold.¹⁷¹

On May 11, 2001, the Legislative Analyst's Office 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 to local approval of a record 109 school district bond proposals, totaling \$11 billion.

On April 27, 2002, Governor Davis signed AB 16 (Hertzberg) to authorize \$25.35 billion in statewide educational bonds. In the November 2002 election, voters approved Proposition 47, a \$13.05 billion bond measure, and in the March 2004 election, voters approved the second half of AB 16 by approving Proposition 55, a \$12.3 billion bond measure. 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.

Since 2000, the major outlay to add substantial enrollment capacity is the development of a the new

campus at Merced scheduled to open in Fall 2005, as discussed above. Beyond that, capital expansion in recent years has been minimal. For example, the California State University has made some “infrastructure improvements” rather than expansion. However, projects at the Maritime Academy, Monterrey Bay, and San Marcos campuses added 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.¹⁷²

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.

The Proposition 47/Proposition 55 bond authorization discussed above includes \$4 billion for higher education. This sum could marginally expand capacity. However, substantial additional funding beyond this sum is 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 K–12 students generating the \$21 billion in planned expansion for elementary, middle and high schools will require higher education in upcoming years, and an ever increasing percentage will require the advanced training that the state’s higher education system provides.

3. Bond Financing for Religious Schools

On March 9, 2004, the Third District Court of Appeal determined that tax-exempt bond financing for construction at Christian schools violates a California constitutional ban on public support of religious institutions.¹⁷³ The California Statewide Communities Development Authority (CSCDA) is a public entity which assists the development of California communities by, among other things, acting as the issuer of tax-exempt bonds in conduit financings for industrial development, residential housing, health care, and educational facilities. The litigation involved CSCDA’s attempt to enter into purchase agreements with three religious schools through which the schools would be able to finance projects at a lower cost than they could through conventional private financing, because bond investors are willing to accept a lower interest rate as the return on their investment in exchange for the tax-exemption on the interest. Part of the agreement provided that no facility, place or building financed or refinanced with a portion of the proceeds of the bonds will be used for sectarian instruction or as a place for religious worship or in connection with any part of the programs of any school or department of divinity for the useful life of the project.

However, Article XVI, section 5 of the California Constitution prohibits granting anything to or in aid of any religious sect, church, creed, or sectarian purpose, or helping to support or sustain any school, college or university controlled by any religious creed, church, or sectarian denomination whatsoever. Disregarding the agreements’ covenant against religious use, the court found that “this constitutional language, used in its ordinary sense, reveals that the bond financing scheme at issue in this case is unlawful.” The court determined that “the schools at issue in this case are pervasively sectarian, meaning it is impossible to separate their religious aspects from their secular aspects.” Thus, the conduit financing would have the direct and substantial effect of aiding religion.

In a dissenting opinion, Justice George Nicholson noted that “[t]he primary public purpose behind the conduit financing is to promote education of our young people. Whether those young people attend a secular school or a sectarian school, the public policy does not change. We, as a society, have as much interest in educating those children who attend a sectarian school in mathematical principles as we do those who attend a secular school.... Absent from the majority’s opinion is any suggestion that the conduit financing agreements would violate article XVI, section 5 if the schools were to honor their covenant not to use the proceeds of the conduit financing for religious purposes. Contrary to the majority, I allow that the schools may be telling the truth.”

III. SUMMARY AND RECOMMENDATIONS

Former Governor Davis' education program had some important strengths. Many of his specific proposals were supported by child advocates as indicative of promising and innovative leadership. In particular, the former Governor's stated priority for impoverished children and underperforming schools and his interest in improving teacher quality won widespread support. Similarly, his concepts were directed at holding schools accountable in some measure. Much of his 1999 outline was 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.

Overall, however, the state has critically underfunded basic education for the past several years, and Governor Schwarzenegger's proposals would continue this regrettable trend. We have failed to engage in class size reduction efforts for grades 4–12. We have made no attempt to significantly expand higher education capacity to allow additional youth higher education opportunity on a scale needed to assure them jobs in the future. In fact, Governor Schwarzenegger's proposals take us in the exact opposite direction by cutting enrollment at UC and CSU schools, increasing student fees, and decreasing financial aid opportunities for students at both public and private institutions of higher education. 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, as evidenced by former Governor Davis' veto of parenting education measures—perhaps the single most long run cost-effective investment.

A. Consequences

According to Education Week, California now ranks 44th in regionally-adjusted K–12 spending, between Louisiana and Mississippi. And that study used 2001 data, before the cuts of 2003–04 and the reductions proposed for 2004–05. The ranking is very likely to be 50th by 2005—dead last. Notwithstanding some class size reduction in the Wilson Administration, we now reside 49th in the nation in students per teacher, well below Louisiana and Mississippi. Our higher education tuition will go up as much as 40% this year, with youth facing unprecedented debt for higher education. Perhaps most troubling, capacity per 18-year-old for public higher education (from community colleges to universities) has not increased since 1991 and is now scheduled for a population-adjusted reduction of 11,300 kids who would have gotten in this year, but won't next year—just as more higher education is needed for future jobs.

Other 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 at least to the national average by 2007–08. Estimated cost: \$1.5 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 \$1.5 billion should be added in 2004–05—with most of it directed at reduced class size expansion for grades 4–12, starting with grades 4–8 and proceeding in planned stages. Accordingly, another \$2 billion should be added (above inflation and enrollment increase levels) in 2005–06, and another \$2 billion above the new adjusted ADA level for 2006–07. 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 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 an \$11 billion “Child Advancement Fund” from existing and proposed revenue sources, generating \$2 to 3 billion in Proposition 98 funds for K–12 education and community colleges. Of this, \$1.5 billion should be allocated for K–12 purposes in the 2004–05 school year and adding to the base, with another \$2 billion added on in 2005–06, as noted above. These increases are above and beyond population/inflation increases. Up to 20% of the increase may be used to enhance teacher quality as well as supply. The proposed funding is intended to allow California to approach the national average in regionally adjusted per pupil spending and class size.

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, teacher improvement, and

allow the technological upgrading of schools.

Recommendation #2. Begin Implementation of Proposition 49 After-School Care. Estimated Cost: \$200 million.

As discussed in Chapter 6 above, the Schwarzenegger school-based child care initiative is effectively suspended pending the receipt of general fund increases from prior years necessary to trigger its provisions. The \$11 billion Child Improvement Fund will produce enough general fund money to begin its important use of sunk-cost school facilities for child care and positive athletic and other activities. The pacing of this expansion will turn on the revenue sources selected and their rate of collection. Further, as with school class size, such large increases in services are best arranged over several years so they may be phased in efficiently. The Children’s Budget recommends allocating \$300 million for such expansion in 2004–05, with the expectation that the sum for 2005–06 will be somewhat larger.

Recommendation #3. Target Low-Performing Schools with Intensive Assistance or Takeover. Estimated cost: \$300 million.

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 #4. Truancy/Drop out Prevention. Estimated cost: \$80 million

The statistical fate of a high school dropout 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 #5. 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.

Parenting education should teach the basic skills of parenting, 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. Ironically, 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 discussion). Such one-on-one visitation may be a wise investment, but many others need parenting skills—especially males. Rather than expend millions on individual visitation, 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. Lessons relevant to health and safety should not be relegated to medical schools, nor to Lamaze classes for the upper middle class.

Recommendation #6. Technology Competence. Estimated cost: from bond issuance plus \$100 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. 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 #7. 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). 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 #8. Community College and Vocational School Monitoring and Expansion. Estimated cost: \$400 million—\$300 million for community colleges from Proposition 98 funds; \$100 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 vocational 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 “accountability” movement now addressing K - 12 educators needs to similarly apply to higher education, especially the vocational and community college institutions training youth for employment. At least 70% of the new funds should be expended on new classes and teachers – to accommodate the additional youth who will need higher education for the jobs available in the international labor market. Instead of the contraction currently underway, there must be significant expansion. Such a restriction is necessary to avoid all increases being absorbed in administration, or faculty discretionary spending, including research, reduced faculty teaching loads and higher pay.

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: \$1.2 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. The Children's Budget supports the Governor's tuition increases for these graduate professional schools. But basic community college and undergraduate education must remain as affordable as possible. As discussed above, those tuition and fee increases should be rescinded.

As recommended above for community colleges, 70% of this increase should be reserved for new teachers and classes (real capacity growth).

Recommendation #11. CalGrant funding should increase with both tuition increases, and rent inflation. Estimated cost: \$31 million.

The CalGrant program is the major state vehicle for impoverished youth to afford higher education. Its funding was increased during the Davis Administration, but it has retracted from anticipated demand over the last three years. The CalGrant promises made in 2001 need to be kept, and grant levels need to adjust both to tuition and fees as they increase, and to cost of living increases. Because rent (or room and board) costs increase much faster than inflation and are the essential costs applicable to students, grant amounts, and loan limits, should automatically increase year to year accordingly.

Chapter 7

ENDNOTES

1. National Center for Children in Poverty, *The Changing Face of Child Poverty in California* (New York, NY; August 2002) at 1; the term “at or near poverty” is defined as living in a household with annual income below 200% of the official poverty line.
2. Department of Commerce, Bureau of the Census, *Income in 2001 by Educational Attainment in the United States: March 2002* (Washington, DC; March 2002) at Table 8 (persons 18 years and over) (hereinafter “*Income in 2001 by Educational Attainment*”).
3. U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Outlook Handbook, 2002–03 Edition* (Washington, D.C.; 2002) (available at <http://stats.bls.gov/oco/oco2003.htm>).
4. California Budget Project, *Boom, Bust, and Beyond: The State of Working California* (Sacramento, CA; January 2003) at Figure 2.4 (available at <http://www.cbp.org/2003/r0212SVCFinal.pdf>).
5. *Id.* at 53. See also California Budget Project, *Will Work Pay; Job Creation in the New California Economy* (Sacramento, CA; April 2000) at 12.
6. *Boom, Bust, and Beyond*, *supra* note 4, at Figure 3.6.
7. *Id.* at Figure 3.4.
8. *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.
9. *Income in 2001 by Educational Attainment* *supra* note 2.
10. See Appendix A at Table App. B.
11. California Department of Education, *2003–04 Private School Enrollment in California* (Sacramento, CA; Dec. 2003) (see www.cde.ca.gov/privateschools/data/privat03.xls). 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*”).
12. EdSource, *How California Compares: Indicators and Implications for Our Public Schools* (Palo Alto, CA; 1998) at 1 (hereinafter “*How California Compares*”). See also Jay P. Greene, Manhattan Institute for Policy Research, *High School Graduation Rates in the United States* (Manhattan, NY; November 2001, revised April 2002).
13. 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 11. Dropout 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.
14. 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.
15. 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.
16. Jill Tucker, *New Dropout Rates Meaningless*, OAKLAND TRIBUNE, Apr. 30, 2004.
17. See California Department of Education, Educational Demographics Unit, *English Learner Students and Enrollment in California Public Schools, 1993 through 2002* (Sacramento, CA; 2002).

18. 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).
19. *Conditions of Education*, *supra* note 11, at 96–97.
20. 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>).
21. Legislative Analyst's Office, *A Look at the Progress of English Learner Students* (Sacramento, CA; February 2004) at 17.
22. *Id.* at 3.
23. 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/>).
24. California Department of Education, Special Education Unit, *California's Special Education Statewide Enrollment Data* (Sacramento, CA; 2003).
25. 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.
26. See National Center for Education Statistics, *Estimated Student Membership, Number of Teachers, Revenues, Expenditures, and Pupil/Teacher Ratio, for Public Elementary and Secondary Schools, by State, for Grades PreKindergarten through 12: School Year 2001–02/Fiscal Year 2002* (Washington, D.C.; 2002).
27. 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*”).
28. California Board of Education, *Policy Statement, Subject: Guidance and Counseling* (Sacramento, CA; adopted 6/80, revised 6/9/95) at 1.
29. California Department of Education, Counseling and Student Support Office, *Where We Stand: California vs. Nation in Student-to-Staff Ratios for K–12 Public Schools* (Sacramento, CA; April 2003) at 2.
30. California Department of Education, Counseling and Student Support Office, *Assembly Bill 722: Study of Pupil Personnel Ratios, Services, and Programs* (Sacramento, CA; July 2003) at 11.
31. Erika Hayasaki, *One Poor Test Result: Cheating Teachers*, LOS ANGELES TIMES, May 21, 2004.
32. *Id.*
33. Subjects tested vary by grade. For the results in greater detail, see California Department of Education, *California Standards Test Scores – 2003* (Sacramento, CA; 2003) (available at www.cde.ca.gov).
34. California Department of Education, *CAT/6 Test Scores – 2003* (Sacramento, CA; 2003) (available at www.cde.ca.gov).
35. *Id.*; the data reflects the results for students categorized as fluent (English proficient and English only).
36. See Education Code section 60850 et seq.
37. Elizabeth G. Hill, Office of the Legislative Analyst, *Improving Academic Preparation for Higher Education* (Sacramento, CA; Feb. 8, 2001) at 4-7.
38. See California Department of Education, *Advanced Placement Test Results 2002–03* (Sacramento, CA; 2004); College Board, *AP Library: State and National Summary Reports* 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) and *California High School Performance Report 1995–96* (Sacramento, CA; 1996).

39. For most current figures, see The College Board, *2003 College Bound Seniors: A Profile of SAT Program Test Takers* (2003) at Table A; The College Board, *2003 College Bound Seniors: A Profile of SAT Program Test Takers—California Report* (2003) at Table 4-2.
40. California Department of Education, *Eastin Releases California High School Performance Reports—Improvement Continues* (Sacramento, CA; 1998) at 1.
41. 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).
42. See Office of the Governor, *Governor’s Budget Summary 2002–03* (Sacramento, CA; Jan. 2002) at Figure HIED-1 (hereinafter “*Governor’s Budget Summary 2002–03*”).
43. Susan Herendeen, “A” Students Learn Their Best is Not Good Enough; More Grads Means More Competition for UC Admissions, *MODESTO BEE*, Apr. 28, 2003, at A1.
44. See data gathered by Michelle Cadwell Blackston, *Wave of Would-Be Students Crashes Over Universities* *SAN DIEGO DAILY TRANSCRIPT*, May 3, 2002, at 1.
45. California Postsecondary Education Commission, *Resident Undergraduate Charges at California’s Public Colleges and Universities* (Sacramento, CA; Jan. 2004).
46. See Terri Hardy, *Tidal Wave II Opens at CSU*, *SAC. BEE*, Sept. 4, 2001.
47. See Office of the Governor, *Governor’s Budget Summary 2004–05* (Sacramento, CA; Jan. 2004) at 53. 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.
48. See the leading case of *Serrano v. Priest*, 20 Cal.3d 25, 141 Cal.Rptr. 315 (1976).
49. 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.
50. Legislative Analyst’s Office, *Proposed Settlement Agreement of CTA v. Gould* (Policy Brief) (Sacramento, CA; June 3, 1996).
51. 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*”).
52. Office of the Governor, *Governor’s Budget Summary 2004–05* (Sacramento, CA; Jan. 2004) at 51. The Constitutional provisions added by Proposition 98 allow a temporary re-basing of the required appropriations, if a bill is enacted pursuant to a two-thirds vote of the legislature.
53. Senate Committee on Budget and Fiscal Review, *Overview of the 2004–05 Budget Bill* (Sacramento, CA; February 5, 2004) at 1-5.
54. *Id.* at 52.
55. Office of the Legislative Analyst, *Analysis of the 2004–05 Budget Bill* (Sacramento, CA; Feb. 2004) at E-18.
56. *Id.*
57. Senate Committee on Budget and Fiscal Review, *Overview of the 2004–05 Budget Bill* (Sacramento, CA; February 5, 2004) at 1-6.
58. Legislative Analyst’s Office, *Overview of the 2004–05 May Revision* (Sacramento, CA; May 2004) at 10.
59. EdSource, *How California Ranks: The State’s Expenditures for K–12 Education* (Palo Alto, CA; August 2003) at 1.

60. 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.
61. See discussion of tax expenditure budget and new tax deductions and credits formulated during 1991 to 1999 in Chapters 1 and 2 above.
62. Legislative Analyst's Office, *Class Size Reduction: A First Look at Implementation* (update) (Sacramento, CA; December 1996) at 1.
63. EdSource, *Smaller Classes for the Youngest Students* (Palo Alto, CA; June 1997) at 1 (hereinafter "*Smaller Classes for the Youngest Students*").
64. *Id.* at 3.
65. 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).
66. *Id.* at 4.
67. EdSource, *Reducing Class Sizes in California: Year 2 Highlights* (Palo Alto, CA; February 1998) at 2 (hereinafter "*Reducing Class Sizes Year 2*").
68. Office of the Governor, *Governor's Budget Summary 1998–99* (Sacramento, CA; 1998) at 8–9; see also *May Revision 1998–99*, *supra* note 51, at 18–20.
69. *Smaller Classes for the Youngest Students*, *supra*note 63, at 7.
70. See EdSource, *California's New Class Size Reduction Law* (fact sheet) (Palo Alto, CA; September 1996) at 1–2. See also CSR Research Consortium, *What We Have Learned About Class Size Reduction in California* (Palo Alto, CA; September 2002) at 20.
71. See a detailed discussion of this problem in Department of Finance, *A Performance Review Class Size Reduction Program* (Sacramento, CA; March 1998) at 24.
72. 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.
73. Penny Howell, *A Closer Look at California's Test Results*, EdSource (October 1999) at 7 (available at www.ed-data.k12.ca.us).
74. 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.
75. *Id.* at 7.
76. *Class Size Reduction 2002*, *supra* note 65.
77. *What We Have Learned About Class Size Reduction in California*, *supra*note 70, at 5–8.
78. *Id.* at 9–12.
79. AB 1302 (Committee on Education) (Chapter 394, Statutes of 2001) and AB 2781 (Oropeza) (Chapter 1167, Statutes of 2002).
80. AB 1754 (Committee on Budget).
81. Assembly Committee on Appropriations, *Analysis of AB 56 (Steinberg), As Amended March 26, 2003* (Sacramento, CA; March 2003) at 2.

82. Child Development Policy Institute, *Letter from Rob Reiner on Universal Preschool* (April 22, 2004).
83. EdSource, *Bilingual Education in California* (Palo Alto, CA; May 1998) at insert.
84. SB 1448 (Hart) (Chapter 781, Statutes of 1992); see also Legislative Analyst's Office, *Assessing California's Charter Schools* (Sacramento, CA; Jan. 2004).
85. See Chapter 34, Statutes of 1998.
86. See Little Hoover Commission, *The Charter Movement Education Reform School by School* (Sacramento, CA; March 1996).
87. Ron Zimmer, Richard Buddin, Derrick Chau, Glenn Daley, Brian Gill, Cassandra Guarino, Laura Hamilton, Cathy Krop, Dan McCaffrey, Melinda Sandler, and Dominic Brewer, RAND Education, *Charter School Operations and Performance: Evidence from California* (Santa Monica, CA; June 2003), *passim*.
88. *Id.*
89. Chapter 742, Statutes of 1998.
90. See data released by Los Angeles School Board member David Tokofsky, Duke Helfand, *Schools Still Promoting Most Poor Performers* (November 30, 2000).
91. Helen Gao, *Kids to Get More Help; LAUSD Adds Remedial Aid* (Daily News of Los Angeles; Sept. 25, 2002) at N3.
92. California Department of Health Services, *Lead Hazards in California's Public Elementary Schools and Child Care Facilities* (Sacramento, CA; 1998).
93. 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*").
94. *Id.* at 11.
95. *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).
96. *Our Children at Risk*, *supra* note 93.
97. *Id.* at 12.
98. 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.
99. *Id.*
100. 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.
101. 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.
102. Chapter 718, Statutes of 2000.
103. See H.R. 3734, Pub. L. No. 104-193, at § 408(a)(4) and (5).
104. See Office of the Governor, *Governor's Budget Summary 1997–98* (Sacramento, CA; 1997) at 100 (hereinafter "*Governor's Budget Summary 1997–98*").
105. California Department of Social Services, *Proposed Redesign of the Welfare System: Detailed Program Description* (Sacramento, CA; January 10, 1996) at 21.

106. *Id.* at 19.
107. *Id.* at 22.
108. *Id.* at 6.
109. See Chapter 1078, Statutes of 1998.
110. 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.
111. *Id.* at 15, Table N.
112. 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).
113. California Senate Office of Research, *Teen Pregnancy and Parenting in California: Background* (Sacramento, CA; March 1995) at 1–6.
114. *Id.*
115. “Sexually active” is defined as having had intercourse within three months of the survey. For citations and discussion, see Chapter 2 above.
116. *Serrano v. Priest*, 20 Cal.3d 25, 141 Cal.Rptr. 315 (1976).
117. T.S. Mills-Farauto, *Assembly OKs ‘Equalization’ Funds for Schools*, SAN MATEO COUNTY TIMES, Aug. 1, 2003.
118. *Id.*
119. 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.
120. Jeannie Oakes, UCLA Graduate School of Education, *Remedying Unequal Opportunities for Successful Participation Advanced Placement Courses in California High Schools* (2000).
121. 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).
122. See summary of poll results in Claire Cooper, *Pollster Sees “Formula” for School Failure*, SAC. BEE, May 1, 2002, at “Politics Section.”
123. Patrick Shields, *Teaching and California’s Future*, Center for the Future of Teaching and Learning (Santa Cruz, CA; Dec. 2001) *passim*.
124. 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.
125. *Id.*
126. 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).

127. The Children’s Partnership, *California Youth: Their Access to Computers and Technological Readiness* (Santa Monica, CA; July 1997) at 4 (hereinafter “Access to Computers”).
128. See Sara Catania, *Schools Urgently Need High-Tech Tools, State Task Force Says* SAC. BEE, July 10, 1996, at A4.
129. California Department of Education, California Technology Assistance Project, *Summary of Year 2003 School Technology Survey Findings* (Sacramento, CA; October 2003) at 4.
130. *Id.* at 5.
131. *Analysis of the 2004–05 Budget Bill*, *supra*note 55, at E-37.
132. *Id.* at E-38.
133. *Id.*
134. SBX 1 (Alpert).
135. California Department of Education, *Superintendent O’Connell Releases 2003 API Base, Growth Targets, School Rankings* (Sacramento, CA; March 9, 2004).
136. Ed-Data, *Understanding the Academic Performance Index*(Sacramento, CA; Oct. 2003).
137. *Governor’s Budget Summary 2004–05*, *supra*note 52, at 67.
138. *Id.*
139. *Id.*
140. 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.
141. 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).
142. EdSource, *California’s New Academic Standards Take Hold*(May 2001) *passim*.
143. *California’s School Principals*, *supra* note 27, at 7.
144. CSR Research Consortium, *What We Have Learned About Class Size Reduction in California* (Palo Alto, CA; September 2002) at Figure 5.
145. *Class Size Reduction 2002*, *supra* note 65, at 2.
146. *Analysis of the 2004–05 Budget Bill*, *supra*note 55, at E-58.
147. Tim Randsell, Public Policy Institute of California, *California’s Share of Federal Formula Grants: 1991–2001* (San Francisco, CA; 2002) at 13.
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. Patricia F. Julianelle, *Education Advocacy for Highly Mobile Children: With the McKinney-Vento Act, Unstable Housing Doesn’t Have to Mean Unstable Education*, ABA Children’s Rights Litigation Committee Newsletter, Vol. 6, Issue 1 (Winter 2004) at 1.
150. *Id.*
151. *Id.*, at 21-22.
152. *Analysis of the 2004–05 Budget Bill*, *supra*note 55, at E147.

153. *Id.* At E-156.
154. Office of the Governor, *Governor Schwarzenegger Announces Higher Education Budget Compromise* (Sacramento, CA; May 11, 2004).
155. Office of the Governor, *May Revision 2004–05* (Sacramento, CA; May 2004) at 30–31.
156. Legislative Analyst's Office, *Overview of the 2004–05 May Revision* (Sacramento, CA; May 2004) at 12.
157. Tanya Schevitz, *Protest Over Student Fees; Thousands March on Capitol for Community College Funding*, SAN FRANCISCO CHRONICLE, March 16, 2004.
158. Legislative Analyst's Office, *Overview of the 2004–05 May Revision* (Sacramento, CA; May 2004) at 11.
159. *Id.*
160. 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.
161. *Governor's Budget Summary 2004–05*, *supra*note 52, at 84–85.
162. Office of the Governor, *May Revision 2004–05* (Sacramento, CA; May 2004) at 34.
163. *Id.*
164. *Id.* at 85.
165. California Student Aid Commission, *California Student Aid Commission Inaugurates California Chafee Grant Program* (Rancho Cordova, CA; March 4, 2004) at 1.
166. *Id.* at 2.
167. 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.
168. 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.
169. Office of Legislative Analyst, *Proposition 26, School Facilities, Bonds, Local Majority Vote* (Sacramento, CA; 1999) at 3.
170. United States General Accounting Office, *School Facilities: Profiles of School Condition by State* (Washington, D.C.; June, 1996).
171. 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).
172. Office of the Governor, *Governor's Budget Summary 2000–01* (Sacramento, CA; Jan. 2000) at 193–194.
173. *California Statewide Communities Development Authority (CSCDA) v. All Persons Interested in the Matter of the Validity of a Purchase Agreement*, ___ Cal.App.4th ___, ___ Cal.Rptr.2d ___, 2004 CJ DAR 3061 (March 9, 2004).

