Impact and implications of the shortfall in California's K-12 education budget

Frances Sue Munson

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California State University
San Bernardino

IMPACT AND IMPLICATIONS OF THE SHORTFALL IN CALIFORNIA'S K-12 EDUCATION BUDGET

A Project Submitted to
The Faculty of the School of Education
In Partial Fulfillment of the Requirements of the
Degree of
Master of Arts
in
Educational Administration
by
Frances S. Munson
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Approved by:

William E. Camp, Ed.D., First Reader

David O. Stine, Ed.D., Second Reader
Impact and Implications

Abstract

California's education shortfall can be directly related to a recession in the state and national economy. Recent developments in the California and national economy as they relate to education are discussed. Eighteen persons were personally interviewed with the open ended question, "From your position, what is the impact and implications of California's shortfall in the K-12 education budget?" Subjects represented the district, county, and state education community. The responses went beyond the usual "tighten the belt" tactics cited by school districts as the usual impacts and implications of a budget shortfall. The responses covered a wide range of concerns with some of the shortfall's impacts implicating the need for structural change for relief. Law and policy changes at the state level were cited as structural changes possibly brought about by the shortfall's impacts. Of these, AB1200 has potential for significant change as well as the recent State Supreme Court ruling allowing districts to charge bus fees.
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Acknowledgement

It has been an exciting time in my life to be encouraged to write and share the results of my research with others. I acknowledge all my friends and family who encouraged me on a continuing basis to keep pursuing new challenges. For this particular project, I would like to describe a few key situations during my graduate studies in school administration that I believe brought this project to its current form.

It started with a book list that included these writers: Warren Bennis, Peter Drucker, John Naisbitt and Patricia Aburdene, and Tom Peters. I was engrossed - overly so - but I knew I was in the right program and the works of those writers made me feel my past experience would help me contribute to my new field of study. High standards and expectations in Margot Burke’s class and an introduction to use of the Publication Manual of the American Psychological Association got me off to a good first quarter in the program. A research class with Joseph Turpin made me realize that my ability to identify key persons for solving research problems and interviewing those people would be a valuable skill in research. Kenneth Lane, advisor for my field studies, gave me plenty of latitude to investigate questions about elementary and secondary school administration in a program of shadowing school administrators at two school campuses.

Two professors provided the necessary encouragement that allows me to speak to you through this media at this moment. William E. Camp and David O. Stine volunteered to be my first and second readers for this project. Dr.
Camp specializes in school finance. The opportunities he mentioned in the two finance courses I took from him showed me a variety of ways that my education could be used in both the public schools and in the private sector. The projects assigned in his class opened the doors to meeting school administrators and discussing with them current school finance issues. It was during the time I was enrolled in his classes that I developed a specific interest in school finance. I credit Dr. Camp with influencing my decision to pursue school finance research after completion of this current project. Dr. Stine reminds me of a friend of mine who always has five exciting volunteer opportunities to mention to you and you can hardly resist doing them all. Dr. Stine has not quite met my friend Grace Lieberman's record, but the opportunities I have pursued at his suggestion have contributed greatly to my current projects. On my first meeting with Dr. Stine at a San Bernardino County Superintendent's meeting, I learned about student membership in the Association of California School Administrators and he offered to be a reader for my masters thesis. I pursued both of these offers. Another offer he made was to recommend anyone in the School and Community Relations Class for participation in a Western Association of Schools and Colleges school accreditation. I took him up on this offer and had the opportunity to participate on an eight member team doing a WASC/CDE accreditation for a large urban high school. This particular experience was one that synthesized many areas of study in the educational administration program into a meaningful whole.
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June: Julio, if this is a shortfall, what happens when they undo the ropes?

Julio: We're going to sail, June. There is a strong wind and we've got plenty of gas.

June: Julio, will we be free to choose where we go?

Julio: No, June, but I've mapped out our course and if the wind holds out long enough, we're going to have a beautiful landing.

The current impact and resulting implications of California's K-12 budget shortfall, appeared to be like past shortfall situations where the education business would continue as usual when the economy recovered. Discoveries of this study illustrate that the economy may not recover as it did in the past. This notion coincided with the economists' projections. The implications are that the usual adjustments made when the shortfall occurred, will be prolonged unless there is a restructuring of the system. In this study, the dramatic effects of two consecutive years of budget shortfalls became apparent. The implementation of A.B. 1200 was a dramatic example of restructuring that will surely affect the way districts and their boards of
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education do business in the future. To prevent school district bankruptcies from occurring, the California legislature in 1991 passed AB1200 to put some teeth into actions that County Offices of Education can take to help districts be fiscally responsible, commencing in January 1992. This piece of legislation had a beneficial effect on the County Office of Education’s ability to monitor and assist school districts earlier and before they have damaged their financial well being. Accountability was the key to this legislation. Through accountability, the legislature hoped to curb school district bankruptcies and put to an end the era of deep pockets. No matter how noble the cause, no matter how heart wrenching a situation, schools will be responsible for their own destiny. There may be no more crutches in the form of state bailout money.

California’s Office of Fiscal Policy Planning and Analysis provided data showing that California’s per pupil expenditures have lagged behind the national average, at least since the 1982-83 year and more particularly below the top quartile in expenditures per pupil. From 1982 to the present, California has not ranked above 25th place in per pupil spending in the United States (Appendix A), placing the state on a downward spiral in terms of dollars available per student for education (J. Wilson, personal communication, October 9, 1991). The pressing needs of health and welfare dominate California’s budget scene, overshadowing the needs of the K-12 education budget. This emphasis may be attributed in part to the large number of immigrants coming into California with high health demands, as
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well as tough economic times that mean more people are forced to use free public health services. Successful schools, districts, and counties will need to focus their efforts, with increasing input and help from their communities, so that they can deliver an educational service to meet the new needs of accountability that most Californians want. Californians want value for their dollars spent, and parents are increasingly seeing the potential for better use of their tax dollars with regard to educating their children.
Background of the Problem

Experiencing a shortfall in California's K-12 education budget is not new. According to John Mockler, education lobbyist, there has been a budget shortfall in seven out of the last twenty years (refer to "Summaries of Interviews," p. 49). At this time, however, California is in its second consecutive year of the shortfall, and the circumstances surrounding the funding of education in California are different. Two areas of difference can be noted here. First, the economy of the state is suffering; it is in its second year of the budget shortfall and the prospects for immediate recovery are dim. Bill Whiteneck, staff consultant to the California State Senate Education Committee, says there are no more hidden sources of dollars and no more
schemes available (changing the accounting system, for example) to bail out and satisfy education's increasing demands for funds (refer to “Summaries of Interviews,” p. 63). Secondly, there is growing sentiment among Californians that the current system is not capable of meeting the educational needs of the children. Outcome evidence, including test scores, SAT scores, lack of preparedness for job sector, and exclusion of parents from the decision making processes may reinforce this sentiment. A detailed look at these two areas of difference will set the scene for this study of the impacts and implications of the shortfall on California's K-12 education budget.

The California Economy Suffers

Fumento described many critical economic issues and Governor Pete Wilson’s role in addressing these issues. Fumento points to a potential vicious circle resulting in a shrinking per capita tax base “which leads to revenue shortfalls,” then new tax increases which drive more high income people and businesses from California. Fumento cites an aide to Tom McClintock, Republican Assemblyman, noting that Governor Wilson’s budget offered no structural reforms or real budget cuts. A deficit seems inevitable without extremely strong growth (Fumento, p.2).

Fumento says taxpayer organizations in California generally agree that cuts provided by Proposition 13 have been “erased by other taxes.” The new 10% and 11% State income tax brackets may prove to be an “albatross around Wilson’s neck, as well as for Californians as a whole (Fumento, p.2).”
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Fumento explains why:

*It may turn out that adding two new tax brackets for high earners was the most ill conceived, due to a phenomenon which has become known as the Laffer Curve. . . . (It) describes the tendency for higher tax rates to, after a certain point, begin to take in less and less money as the taxes rise. This results from a number of factors, including taxpayers who intentionally earn less money to keep out of higher brackets, an increased use of tax shelters and increased cheating.*

*State and local revenue collectors are subject to the effects of the Laffer Curve . . . but persons burdened by state and local taxes have another way to beat the system - moving.* (Fumento, p.2)

Fumento discusses the reality of the latter alternative being exercised by middle and upper class families along with businesses. Fumento cites a recent California Business Roundtable survey that shows 41% of California businesses have plans to expand outside California. In addition to money leaving California, Fumento notes that the tax situation is making California less attractive to would-be Californians who have higher incomes.

**California's Budget Problem**

Robert Reinhold, reporting in the New York Times, followed Governor Pete Wilson’s effort to balance California’s budget for the 1991-92 fiscal year. Just how big was California’s budget problem last June 30, 1991? The gap between state spending and revenue was $14.3 billion (Reinhold, June 30).
The gap was more than the entire general fund expenditures of every other state with the exception of New York (Reinhold, July 2). No state ever faced a larger shortage. With a constitutional mandate to have a balanced budget, Governor Wilson continued his efforts after the budget deadline to balance the budget.

Governor Wilson was plagued by the fact that his own Republican party members in the Senate and Assembly would not support his budget. Assembly Speaker Willie Brown pointed out that it was Governor Wilson's budget, but it was a democratic process that succeeded in getting it balanced. Democratic Senator Boatwright commented after the budget passage, "This recession does not automatically end today. You are going to face a budget crisis next year (Reinhold, July 18)." Indeed, by December 12, 1991, the Gannett News Service reported in a poll it conducted, that 87% of the people believe America is still in a recession (Gannett News Service).

During the effort of Governor Wilson and the legislature to approve a budget, State Controller, Gray Davis, on July 3, reported that the 1991 fiscal year had revenues $462 million below the previous year. Since the Depression, California had not had a decline like this resulting from economic conditions. (Reinhold, July 5).

**California Remains in Recession**

While some Californians were dreaming that the state was on its way to recovery, State Treasurer Kathleen Brown bore the news to Governor Wilson
that California “has been through a deeper recession than previously thought” (Shuit, p. A1), and the tax collections were off projection by $245 million. The Employment Development Department had estimated 35,000 lost jobs in the state, but the reality in their mid-September update was 240,000 jobs. Brown also cited soft real estate and construction industries for a pessimistic assessment of the California economy. Paralleling this decrease in jobs, the state was experiencing an increase in demands for welfare spending in the Aid to Families with Dependent Children (A.F.D.C.) and medical services to the poor. Douglas P. Shuit, Los Angeles Times staff reporter, on October 4, 1991, reported that the governor and legislature hoped they had solved the problems born out of the last years budget shortfall of $14.3 billion with their July budget agreement. In spite of this agreement, many lawmakers predicted another budget deficit. California’s State Controller, Gray Davis, summed up the situation when he agreed with Kathleen Brown. He said, “The California economy is still coughing and sputtering” (Shuit, p.30).

Appleton-Young, Vice-President of Research and Economics for the California Association of Realtors, described the state of California’s economy stating trends in the housing industry, both sales and construction, have long been an indicator of California’s economic condition. The disadvantages that California suffers from right now are a weak business climate due to high transaction costs, high taxes, and costly government regulations. Migration into the state will largely be low-income foreign immigrants. The Hispanic and Asian will be the fastest growing segments (Appleton-Young, 1991, p.1).
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On the positive side Appleton-Young notes that overall California has been attractive to businesses because of these strengths:

1. It is an economic powerhouse, being the eighth largest economy in the world.

2. Diversity

3. Population growth

4. Job creation

5. Pacific Rim (Appleton-Young, 1992)

In terms of economic growth, it is expected that the growth over the next five years will be slower than that from the period of 1982-90. California has been the hardest hit. On average, California developed 400,000 jobs per year. The reality this year is that 100,000-400,000 jobs were lost. About 69,000 of these were lost in manufacturing with Southern California being hit harder than Northern California because of the heavy aerospace industry in the south, with its loss of manufacturing jobs. The economic growth during that period was about 4.3% annually. The five to ten year projection, however, is good; but for now job creation will be slower (Appleton-Young, 1992).

Appleton-Young described the following key elements as major factors in California's economic future:

* Low confidence is a problem for consumers in regard to home sales. This is understandable when you realize that in the 1989-90 year home equity dipped by 9.5%.

* Another dip in the economy is a very real possibility.
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* California is 1% above the U.S. in the unemployment rate.

* Interest rates are incredibly low, but underwriting of loans is very difficult.

* The commercial market has a 5-10 year supply of commercial space available.

* There will be a 5% increase in taxes per household this year.

* Local government is turning to transfer taxes.

* California does not have deep pockets (reserves) to supplement areas that go over budget. (Note: School districts will be impacted by this situation because funds to bail them out of bankruptcy situations are not going to be available.)

All levels of government will be looking to the private sector for help with mitigating the increasing problems of housing affordability, education, and budget shortfalls (Appleton-Young, 1991, p. 3).

The challenges to California are to deal with these areas:

* Budget deficits

* Infrastructure

* Defense contracts

* Credit availability for new construction

* Business Climate.

Economist Appleton-Young believes education is important: “We need an educated labor pool to feed the economy” (Appleton-Young, 1992). The
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question of how Californians and others throughout the nation are dealing with these problems is interesting, because these problems are shared by other states. One method of grappling with the problems is through the use of institutes to affect change.

Institutes as Agents of Change

The reports of institutes are proliferating. The institutes exist in about thirty states; they are pro-free enterprise think tanks. Institutes produce reports that urge privatisation and cutting or restructuring government services. Funding for the institutes comes from individuals, foundations, and corporate donations. The institutes in turn, may have their research conducted by academics outside their group (Novak, p. 124,). What this means to states, including California, is that opposition to spending is growing. The impact of these institutes is summed up very well by Don Ebberly of Pennsylvania’s Commonwealth Foundation: “By no means will the powerful interest groups - the teachers, the public sector workers and the organizations that derive benefit from government spending - be driven out by our presence” (Novak, p. 124). However, the institutes constitute a new and potentially persuasive opponent to the spenders. An example of an institute is the Pacific Research Institute for Public Policy. Analysis of policy issues of concern to California and its major urban areas constitute the institute’s state and local program. They announced a contest on January 22, 1992 called

Cutting Back: Efficiency in Government. The competition involved
submitting plans for restructuring activities. The winners of the contest would have their ideas distributed to legislators, government officials, and the press.

The problem of funding the education of an increasingly diverse student population to meet the needs of America's workplace is a problem these institutes frequently tackle. California's public education institutions have been particularly challenged financially.

**California and Education Finance**

California's school finance picture has been dominated by four events since the 1970's. Domination has occurred because funding of education has been dramatically effected by each event. These events have challenged the legislature in its school funding efforts. These are the events:

1. **Serrano v. Priest** (1971). This State Supreme Court ruling meant that a child's education would no longer be a function of his parents and neighbor's wealth. Senate Bill 90 soon followed with revenue limits being implemented. Revenue limits determined moneys available to districts for basic educations. The term "squeeze factor" was used to describe the overall efforts to equalize district spending between districts. Assembly Bill 65 was passed to further achieve compliance with Serrano v. Priest, but its implementation was thwarted by the next major event.

2. Proposition 13 and the Gann Spending Limit. Proposition 13 limited property taxes to one percent of the 1975-76 and prevented increases
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of more than two percent per year in assessed value. Proposition 13 was to bring an immediate 60% reduction in property taxes, so the Legislature passed SB154 to guarantee a certain percentage of their previous year's funding. "Thus for the first time, the burden of financing education was placed on the state" (Picus, p. 10). AB 8 then followed to keep district revenue limits. The District's revenue limit less the amount of property taxes collected is the amount the state contributes. In 1979, Proposition 4 known as the Gann Spending Limit, made the State responsible for how much a school district could spend. Spending was limited to increases in population growth plus increases in either the Consumer Price Index or California Personal Income, whichever was lower. A two-thirds vote was required to raise taxes.

3. Senate Bill 813 was the next event that brought dollars to education. The money was tied to reform efforts. From 1983, $1 billion per year for four years was provided to schools that enacted reform measures. The measures included increased high school graduation requirements, mentor teacher programs, and tenth grade counseling programs. Many districts took advantage of incentives offered for increasing beginning teacher salaries and lengthening the school day. The California State Lottery approved in 1984 did little to increase educational dollars. Increased dollars for education was the expected result of the passage of Proposition 98.

4. Proposition 98 (November 1988). One of the key provisions was the establishment of a minimum funding level. That is, the education budget would be a minimum of 40.897 percent of the state's general fund. (Picus, pp.
Educators and policymakers did not anticipate the loss of state tax revenues that provide the state its general fund. The result was a shortfall in the education budget.

The press of hard economic times for California has meant that the minimum funding limit, provided for in Proposition 98, has become a ceiling for K-12 education funding. In spite of major budget reductions for the 1991-92 fiscal year, Governor Wilson moved forward with plans to support education. Healthy Start is one of those plans. This plan will play a part in helping California meet one of the six National Education Goals, which is having students ready to learn when they begin school. The passage of the bill funding this program is part of several that Wilson proposed that emphasize prevention programs to help low income, low achieving children stay in school and do well.

Prevention is the key word, and Governor Wilson is promoting the idea of schools being a center from which needed social services for children can be coordinated. Delaine Eastin, Assembly Education Committee, noted that the dollar amount to fund Wilson's $85 million School Health package was equal to the cutbacks in the education budget earmarked for class size reduction and mentor teachers (Trombley. p.A13). Maureen Di Marco, Secretary of Child Development and Education is moving the Wilson prevention programs forward.
Housing California’s Students

Escalating growth in California’s school age population has caused unprecedented crowding in school systems across the state. School districts have not been successful in adequately meeting the demand for sufficient space for several years now. The state of California has not been successful in floating enough bonds to meet the needs of California’s school districts. Individual school districts have been largely unsuccessful in getting voters to approve new property tax increases for construction of schools where a two-thirds majority is required. Efforts to change the vote for such tax increases to a simple majority vote have been unsuccessful.

In the situations cited above, the Healthy Start program, and the problem of funding enough classroom space for California’s students, there are groups that see the need for the dollars to be spent. In fact, it would be difficult for any Californian to say that these situations do not need to be solved or funded. The time has come, however, to evaluate California’s ability to support these programs. The current recession reminds us all that California’s deep pockets have been clipped and sewn tight. California’s face is changing rapidly and dramatically. The people are speaking to their legislators directly and through initiatives. Priorities, assessment, evaluation, and close monitoring of income and expenditures are key issues.
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Dissatisfaction with the School System

There is a growing sentiment among Americans that the current educational system cannot be influenced by individual actions or even group actions. The system is bulky, bureaucratic, and unyielding. Citizens are acting on their frustrations by generating ballot initiatives. It is notable that as they are pursuing their idea of a better society, they are also restricting the funding available to those who have to get the job done. William Banach says, “Roughly three quarters of what impacts an institution is triggered by external forces” (Banach, p.3). These are the kind of thoughts that have spurred an interest in legislation that will give individuals a choice in the kind of education Americans envision for their children. California legislators, Senator Gary Hart and Assemblywoman Delaine Eastin, have each sponsored legislative proposals for public charter schools. These schools would be free of much public school bureaucracy. This movement is being spurred on from the national level.

National Strategy

America 2000 is a national educational strategy. In a meeting of President Bush and state governors, an agreement was made to establish national educational goals, begin a long term commitment to refocus the educational system, and gather support for such reforms (Bush, p. 72). When Bush announced the program publicly, he also named New American Schools
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Development program chairman, Paul O'Neill to head this group of America's business leaders. This private-sector research and development fund of at least $150 million was created to generate innovation in education. Paul T. Hill, who is directing RAND's research and analysis for the New American Schools Development Corporation, provides insight for change by answering the following questions:

**Why do schools that have a focus work?**

The latent consensus is that there is dissatisfaction with the comprehensive schools.

There is student resentment of bureaucratic involvement.

The staff has a desire to solve problems.

There is a student and teacher readiness for academic demands and parenting.

There is concerted work.

**How do you have focused schools?**

The school must stand for something.

There is site-based management based on commitment to a particular cause.

**How do focus schools fit in a reform strategy?**

They use site based management and they employ choice. (Hill)

It is possible to see in this example of research that the private sector could strongly influence public sector outcomes through its funding of
research. The path is public stimulus of private sector dollars to invest in education research with the idea that the research comes back to potentially influence public educational policy and legislation.

**Shortfall Related to National Economy**

In September 1991, the direction of the national or state economy was not clear: up, down, or flat. There were still Americans who thought the economy was slowly recovering. The varied picture of the nation's economy was depicted very well in numerous print media articles.

Oswald Johnston, Los Angeles Times staff writer, reported on September 27, 1991:

*The economy shrank at a annual rate of 0.5% during the second quarter, the commerce Department reported . . . the recovery has been even more anemic than generally assumed.*

* . . . The Labor Department said the number of Americans filing new claims for unemployment benefits surged by 36,000 in mid-September, the biggest weekly increase in three months.*

*Irwin L. Kellner, chief economist at Manufacturers Hanover in New York . . . (said) downward revision in second-quarter GNP “is not worrisome at all, because it lays the groundwork for a stronger rebound in the current quarter and at the end of the year.” (Johnston, p. D1)*

One week later on October 2, 1991, the Index of Leading Indicators is “the
latest sign that an already lackluster recovery continues to slow.” (Associated Press, p. B1). The Bush administration, as well as private analysts, believed the recession ended in the second quarter of 1991.

On November 20, 1991, Carl T. Hall shows this continuing divergence of opinion on where the national economy is going in a San Francisco Chronicle article appropriately entitled, “Experts Clash on Economy.” Mr Hall captures the views of John Oliver Wilson, Bank of America Chief economist, and Jerry Jordan, First Interstate Bancorp chief economist. Mr. Hall indicates that Wilson represents the majority view at this time. Although Wilson does not envision another Great Depression with bread lines, he does make it clear that the economy will not likely recover from this recession as it has done in the past. As of November, 1991, Wilson maintains “that the first half of the 1990’s will be a transitional period during which growth will be meager at best . . . . He sees an extended period of pain as Americans face up to radically diminished possibilities - wages falling behind inflation, waves of white-collar layoffs, children denied the upward mobility their parents took for granted (Hall, p. C1, 18).”

In contrast, Hall portrays Jerry Jordan’s view as seeing recessions (and presumably this one too), as “merely temporary interruptions in growth . . . Doom-and-gloom sentiments - such as forecasts of higher unemployment rates - are merely the fleeting by-product of recession, he says. ‘This too, will pass’ ” (Hall, p. C1). As reported by Carl Hall, Jerry Jordan does not appear to offer any ideas for intervention in the economy.
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John Oliver Wilson, by contrast, suggests action by policy makers to ensure recovery. He calls for “more investment in education, better incentives to invest in R and D., and modern factor equipment and stepped up public investment in the basic infrastructure” (Hall, p. C18).

National Economy Benefits from Education Investment

Discussions of American’s economic plight necessarily includes suggestions to move the economy out of the recession. On October 21, 1991, the Economic Policy Institute offered these arguments in favor of getting money to invest in the infrastructure, which, he says, includes education. First, the infrastructure is not consumption, but investment. Secondly, some assume that all government spending is a drain on the economy. Rather, he says, infrastructure is the use of GNP for investment. Thirdly, Heilbroner says that when we spend dollars for the infrastructure, the financing is different. Both the private and the public sector need to be scrutinized equally (Heilbroner).

Heilbroner identifies three sources for raising the one-half trillion dollars:

1. Cut military budget in half.
2. Borrow $200 billion. (He says we cannot do this now due to the savings and loan crisis, but later).
3. Change the tax structure.

At the same Economic Policy Institute presentation, Robert Reich, of the Kennedy School of Government, Harvard University tackles the idea of who
should do something. He says, "Who is the 'we' in we need to do something (Reich)?" Reich says it is the capacity of Americans to add value. He describes the current situation of the increasing divergence between the top 40% of Americans and the bottom 20%. The top 20% of Americans made 50% of the income. Reich asks what the responsibility is, of top 20% of Americans, to educate the bottom 60% of the American population? How do we reinforce and remind ourselves of our national identity and responsibility to take care of the bottom 60% of Americans (Reich)?

One difficulty in this task cited by Reich is that Americans may no longer have a common enemy to remind themselves of their national identity and responsibility. A common enemy (as Reich suggests) may not be the only impetus for exercising our responsibilities; but Reich's remarks certainly suggest that a commonly shared vision or focus is necessary to call Americans to action. In terms of educational goals, the six national goals for education are providing a focus for efforts being made nationwide. These goals, to be reached by the year 2000, were announced in 1990 by President Bush and the nation's governors:

1. *Children will start school ready to learn.*
2. *High School graduation rate will be 90%.*
3. *There will be competency testing after grades 4, 8, and 12.*
4. *American students will be first in math and science.*
5. *Every American adult will be literate.*
6. *American schools will be free of drugs and violence.* (Elam, p.43)
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Education is looked upon as a key ingredient in helping America reestablish its confidence and leadership in the economic arena on a global basis. These national goals of education are part of the total effort.

America may becoming focused on its goals, but it is the financing of education that is garnering the most attention. The National Conference of State Legislatures determined in 1989 through a survey of its educational committee chairmen, that the top educational issue was K-12 school finance. The three major financing issues are finance formulas, funding sources, and tax changes. At that point in time (1989), California had recently passed Proposition 98 which guaranteed a certain percentage of the State budget to be used for education. Other states were waiting to see if this program would be successful in solving school finance problems (Walker, pp.4-5). The difficult part of financing education is to understand that the sources of funds have shrunk along with the overall economy of the country. John Connallon, Shearson Lehman's Chief Investment Strategist summed up the future on December 3, 1991, when he said that the 80's was a period of free lunch; now it's gone (Connallon). Some Californians are attempting to solve the problems of financing education by a choice initiative.

State Choice Initiative

On a state level, Californians are circulating an initiative that would provide a state constitutional amendment allowing vouchers for use at a choice of schools, private or common. Arguments for the initiative include
Impact and Implications

several goals the education establishment also desire:

* Parental involvement
* school-based management
* increased spending per child
* smaller teacher student ratios in the classroom.

The parental goals the initiative would meet are these:

* accountability
* focus of attention on the classroom (Alibrandi and Teasley)

The appeal is very strong to parents so public education interest groups are launching an educational campaign to counter the campaign to secure signatures to get the initiative on the ballot.
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Significance of the Problem

Julio: Our reserve tank is almost empty. We will have to plan a landing.

June: Gee, we don't have much choice on locations.

Julio: Let's use our last bit of gas to get over those power lines.

June: Wow, we made it!

In September, 1991, there were clear signs of our country's, and California's, financial difficulties due to the recession. By December of 1991, not only were there clear signs, but there was widespread recognition by all that California was not coming out of the recession in the immediate future. With at least one economist saying a double dip is possible, California's Education Budget for the current fiscal year again appears to be on shaking ground. State Treasurer, Kathleen Brown stated Wilson's budget for the fiscal year beginning in July 1, of 1991, of $60.2 billion only allowed a reserve of $105.3 million, the smallest she could remember in recent years. Another problem was bond-rating houses could downgrade California's AAA rating.
Impact and Implications

Standard & Poor already downgraded the rating to a AA rating. As a result, California will have to pay extra interest on future bonds (Associated Press, January 15, 1992).

It is the combination of the recession and the resultant shortfall in the California K-12 education budget along with the sentiment that the educational system is not meeting the educational needs of children, that made the current situation unique. It has been a growing concern that the funding of education in California is going to reshape itself with more rapidity than current education professionals and elected educational policy makers may realize. It is because of this concern and an interest in seeing that cooperative efforts on the part of Californians be made to bring the changes necessary for California to regain its confidence as a leader in educating children to be contributing members of our state, that this study looks at how educational professionals and elected educational policy makers view the implications of the current impacts on California's K-12 Education Budget.

Does everyone agree on what the impact(s) is and do they all recognize the same implications? The impacts may be recognized because of the history of California dealing with a budget shortfall, but the implications of California's current plight may be more far reaching than most suspect.
A study of the literature on school finance shows financial concerns to be the major concern in education. Three concerns for the 90’s are as follows:

1. Level of revenues available
2. Increasing interest in productivity of dollars spent on K-12 public schools.
3. Complicated finance issues raised by the education reform agenda.

According to Odden, the key question is how to use increased education dollars to improve student achievement. The increased dollars he referred to were to come from Proposition 98 in California. “The short conclusion,” says
Odden, "is that dedicating tax resources for education or any other function does not work. There are simply too many legislative ways around dedication requirements" (Odden, p.4).

Picus believes the current issues go beyond fiscal inequities to the connection between student outcomes, education programs, and educational funding (Picus, p. 10). Kirst has addressed the issues of school accountability systems and their relation to school reforms as well as assessment and its relationship to school finance (Kirst). The impact and implications of the shortfall in California's K-12 education budget is necessarily related to these studies because the impacts of the shortfall are forcing districts, counties, and the state to look very seriously at the structure of California's K-12 schools. They are being forced because there simply is not enough money to continue on with business as usual. More effective ways of allocating educational dollars are being considered.

A description of the areas that are impacted by a shortfall in the education budget are as follows:

* transportation
* administration
* athletics
* unessential programs
* teaching staff
* maintenance (Bolick, p. 35)
These are the areas that school districts around the United States are trimming in order to achieve a "leaner, more efficient school organization" (Bolick, p.35).

These usual "tighten the belt tactics" are not sufficient for some districts. There is increasing evidence that these tactics are not working in a growing number of California's school districts. Two well publicized cases of school districts that went bankrupt are Stockton Unified School District and Richmond. The citizens and children of those districts suffer from fiscal mismanagement involving both the administration and the board of education governing these districts. The State of California is not going to bail out every school district that gets in trouble financially. The dramatic fact is that one in three school districts in California could be in trouble shortly. This startling revelation is discussed as Gray Davis, Controller for the State of California delineates the details in an expanded version of the Annual Financial Report of California Schools (K-12) Report to the California State Legislature For the Fiscal Year, July 1, 1990 through June 30, 1991.

Gray Davis said he believed the continuing problems in "school finance required additional analysis and consideration of legislative actions which might affect school funding." Davis states the bottom line in solving the problems of financing schools very well: "Our schools are too important to fail. Public confidence in the financial health of our schools is critical to our long term mission of providing a quality education for a growing school age population (Davis p.. 2)"
Education Codes, Sections 14507 and 14508, require the controller to make the annual report to the legislature and the California Department of Education. Education Code, Section 14500 (since 1984), provides for the State Controller to review and report on financial and compliance audits. In the 1989-90 fiscal year, the controller's responsibility was expanded to include oversight of Joint Powers Entities as well. This year's report by Gray Davis included the results of a research project called "Going Concern" that was started because a number of districts were (and are) facing a fiscal crisis. The districts report pursuant to Education Code Section 35035(g) on their ability to meet financial obligations. These certifications are either positive, qualified, or negative. Symptoms of school districts in financial difficulty which are certified as qualified or negative are as follows:

* Deficit spending skyrockets.
* Financial reserves are at all time low.
* Budget reserves are overestimated.
* Expenditures are underestimated.
* Pay increases exceed COLA's
* Long-term debt is rising fast.
* Lottery revenues are diminishing.
* Budget overruns are increasing (Davis).

Davis' report included observations and recommendations related to K-12 accountability. The information gathered in connection with the controller's oversight responsibilities revealed the most alarming method to meet district
financial obligations. This method was to use long-term debt to meet cash flow requirements. A second discovery showed oversight public agencies did not disclose the fact that districts received loans from local county superintendents of schools. Furthermore, even though a County Office of Education approved a district budget, the district could modify that budget in any way without further approval. At the time of Davis' October 7 report, existing law did not allow the California Department of Education or state controller to intervene unless a financial crisis materialized in the district.

The areas covered in the State controller's full report are as follows:

1. Fiscal Accountability and Stability.
2. Program Compliance
3. Audit Quality

The controller made recommendations to the legislature, the Superintendent of Public Instruction, and his own office to address each of the areas listed above.

The implementation of the statutory revisions contained in AB1200 represent what Gray Davis believed was a step in the direction of preventing long-term borrowing to finance operating costs. He believes the revisions represent a significant advance in changing the school district budget process by giving to County Offices of Education and the California Department of Education added responsibilities and authority.
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Presentation of the Problem

Later....

June: When we really know where we want to go, we'll be able to choose the right transportation.

Julio: See you later, when we get together with that new travel planning group.

What are the impacts and the implications of California's shortfall in the K-12 education budget? The impacts of the shortfall could be identified in advance because shortfalls have occurred in the past, but the implications will involve restructuring because of the continuance of budget shortfalls for more than a year.

Definition of Terms

ADA - average daily attendance, used in determining school revenue.

CDE - California Department of Education; formerly the State Department of Education.
Impact and Implications

**Impact** - a continuing powerful influence.

**Implication** - something that leads to an entanglement, not to be confused with cause and effect.

**K-12** - kindergarten through twelfth grade.

**Proposition 98** - state aid to California schools has a minimum funding level depending upon state tax revenues.

**Oversight activities** - reviewing and reporting on financial and compliance audits.

**Shortfall** - deficit spending; a shortfall between revenues and expenditures; an indicator of possible fiscal problems.

**Structural change** - a change in the law or policy.

**COLA** - cost of living adjustments.

Assumptions

Although each county office of education and school district had its own unique problems, the themes discovered here share a common purpose with other counties and districts in providing public education. The assumption is that the districts and counties respond similarly to the shortfall and that the interviewees in Sacramento, collectively, express the concerns of our legislature.

Limitations

An attempt was made to interview persons from each level of the public
education spectrum for the K-12 area: district, county, and state. The intent was to include those in the employ of the educational institutions as well as those who are elected or appointed to office.
Impact and Implications

Methodology

To identify the impacts and implications of the current shortfall in the K-12 education budget, interviewees were selected from district, county, and state level personnel in California’s educational system and elected or appointed officials in education. Interviews were conducted in an open-ended question format with the same primary question posed to each person, “What is the impact and the implications of California’s shortfall in the K-12 education budget?” The interviewees were asked to respond from the perspective of their current position and experiences. Most interviewees required very little prompting to respond to the question. The interviews were conducted at the offices of the interviewees.

The Sample

The subjects for the interviews were selected from personnel in local school districts, County Offices of Education, California Department of Education, and elected officials. Board of Education Members at each level were interviewed as well as staff members of elected and appointed officials. Contacts and appointments were made in local districts. Student membership in ACSA provided additional prospective contacts. By attending an ACSA Region 12 meeting in Riverside and making contact with staff in ACSA’s Sacramento office, a total of 18 people were contacted, appointments made, and interviews conducted. Notes were taken during the interview by the interviewer, summarized, and presented here in the numbered
summaries of the eighteen interviews.

The summaries were examined for the six areas of impact of a shortfall in a K-12 education budget identified by Bolick as areas of impact in United States schools. These six areas were listed and each interviewee’s responses were charted for these impacts. The results which follow, in the Chart of “Tighten the Belt” Impact Areas, did not really get to the heart of the interviewees messages. A charting of impacts and implications was then devised as each summary was examined for impacts and implications from the shortfall.

Presentation of Results

The first chart illustrates areas in which districts across the United States identify for “tighten the belt” areas when there has been a shortfall in the education budget in the past. The numbers in the left column identify the interviewee who mentioned one of the six areas.

These areas did not seem to represent some important impacts and implications of many of those interviewed. In order to identify the impacts and implications, each summary of the interview was examined in an attempt to identify these impacts and implications. These are identified here in the following listing entitled “Impacts and Implications,” with each number (1-18) corresponding to the respectively numbered interviewee. The impacts and implications cited do not necessarily indicate any cause-effect relationship. The citations do indicate impacts and implications that go
Impact and Implications

beyond those that have occupied school districts, county offices, and the legislature's concerns in the past. The results of this effort show impacts and implications running the whole gamut of educational concerns. They go beyond the "tighten the belt tactics," to more far reaching concerns. These concerns look to the very structure of California's educational system.

Following this listing are the summaries of the interviews which provide a much fuller picture of each interviewee's perspective of the impact and implications of the shortfall in California's K-12 education budget.
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Impact and Implications

Impacts and implications of the shortfall on the K-12 education budget are stated according to each interviewee. The statements are based on the eighteen interview summaries which follow this section.


**Impact:** Augmentation requests are down in this office.

**Implications:** Districts realize that the state economy is depressed.

**Impact:** The shortfall resulted in requests for restoration of cut programs.

**Implications:** To tread water, that is, delay decisions is the staff consultants position in the Ways and Means committees.

**Impact:** The Governor raised taxes and froze welfare grants.

**Implications:** There was restoration of education programs.

2. John Mockler, Sacramento November 18, 1991

**Impact:** Insufficient funds are available to meet costs.

**Implications:** Expectations are not realized.

**Impact:** These districts are in serious financial trouble: Glendale, Montebello, Richmond, and Los Angeles Unified.

**Implications:** Costs are built on expectation of Proposition 98 providing optimum funding.
Impact and Implications

**Impact:** districts are criticized for (not adopting and fully implementing) Model Curriculum Standards.

**Implications:** The state is not accountable to districts by providing Model Budget Standards.

**Impact:** Cut people or cut service level.

**Implications:** Schools cannot be reorganized.

**Impact:** Marginal internal fights occur.

**Implications:** There is inability to set priorities for the public school.

**Impact:** Education has not turned down with the economy in the last sixty years.

**Implications:** Education moves upward with no correction.


**Impact:** The education community swarms to Willie Brown’s office.

**Implications:** The threat of potential legislative opponents is made apparent by CTA, ACSA, and CSBA.

**Impact:** There is expressed concern over cutting Proposition 98.

**Implications:** The education community did not anticipate a downturn in the economy.

**Impact:** California’s policy staff people want to help education in the long term.

**Implication:** Policy staff of the legislature discuss strategies for the 1990’s.
Impact: There is concern over equity issue in complying with the Serrano mandate.

Implications: The Property tax base is less diverse.


Impact: Wilson’s appointment of Maureen DiMarco brought an advocate of preschool programs to the Governor’s cabinet.

Implications: Eliminate the haves and have nots.

5. Thomas M. Bogetich, Sacramento, November 20, 1991

Impact: Reconsider reducing number of districts from 1003 to 500, and reducing the county offices from 58 to 20.

Implications: Not all are needed. Local control is a fallacy.


Impact: Richmond USD will have salary reductions: reductions include lost counselors, middle school reduced to five period day, loss of support staff, and loss of book and supplemental materials budget.

Implications: Other districts may face similar reductions; CTA can approve salary reductions.

Impact: Escalating health fees could affect the education budget.

Implications: Health, Welfare, and Corrections want dollars from education.

Impact: People cannot find the fat to cut.

Implications: Hard choices will be made in order to reduce the budget.
Impact and Implications

Impact: Try to preserve funding of education.

Implications: Education will be able to do the job.

Impact: System is being pushed to the limits.

Implications: Honig's efforts to turn education around may be in jeopardy.

Impact: Put into law legislation that will forward State Department of Education goals.

Implications: CTA fights efforts to forward choice bills because it fears accountability.

Impact: Department of Education, headed by Honig, remains a coordinating agency.

Implications: Honig speaks from a "Bully Pulpit." The legislature dictates.


Impact: Good resources are never enough.

Implications: Develop good public policy.

Impact: There are insufficient resources to deal with immigrants who have poor health and represent 80-100 languages.

Implications: California is losing competitiveness with other states.

Impact: Administrators jobs are being examined.

Implications: There are expectations of cuts. Administrators are viewed as fat to be cut.
Impact and Implications

Impact: This year and next year will be difficult for schools.

Implications: The implications are not known.


Impact: Kids are not getting all services and classes.

Implications: Healthy Start will help coordinate agency services for children in California.

Impact: The impact of the shortfall is that teachers become scapegoats.

Implications: Use site-based management schools as they do not have this problem.

Impact: There is a new impetus in the legislature to look at new ideas for education.

Implications: These new ideas will give locals freedom to meet their goals.


Impact: The impact of the shortfall on the staff consultant to the Senate Education Committee has been to produce a sense of panic this year.

Implications: There is no more maneuvering room. Make cuts. Raise taxes.

Impact: The K-12 districts are advised to be cautious with 2-5% of their money.

Implications: There are no more gimmicks left. There will be reductions next year in the budget for K-12 schools.
Impact and Implications


**Impact:** The shortfall in the state's financial resources has had a domino effect on every agency.

**Implications:** The Desert Sands USD will suffer a shortfall in its $62,000,000 budget.

**Impact:** School Board members have tried to reduce costs locally but have been unable to do so because 85-88% of the budget is in salaries and benefits.

**Implications:** Salaries and benefits are sacred cows.


**Impact:** The shortfall has resulted in transportation routes being adjusted to save dollars.

**Implications:** Parents have become aware of shortfall.

**Impact:** Transportation costs and concerns influenced a change to the neighborhood school concept.

**Implications:** Students can more easily walk to school and bus routes should not be duplicated.

**Impact:** The budget for teachers to attend conferences has been reduced.

**Implications:** Teachers can attend conferences during non-classroom hours.

**Impact:** Breakfast meetings with the superintendent would not have breakfast paid by the superintendent.

**Implications:** People would continue to meet without this expense to the district.
Impact and Implications

Impact: Desert Sands USD will consider alternate construction fund sources for La Quinta High School.

Implications: YRE may not be appropriate for the district.


Impact: Cuts in personnel.

Implications: No new personnel.

Impact: Program cuts are made.

Implications: Percentage cuts are not made.


Impact: Staff development dollars are reduced.

Implications: Teacher burnout will occur.


Impact: Possibly there will be no COLA.

Implications: There could be a cap on benefits.

Impact: Business department in PSUSD has become understaffed.

Implications: It is not business as usual anymore.

Impact: AB1200 will be implemented.

Implications: Districts will be more apt to keep fiscally solvent.

Impact: PSUSD is keeping a 7% reserve.

Implications: They anticipate a shortfall in next year's budget.
15. James Lively, Indio, November 27, 1991

**Impact:** DSUSD has worked back to essential services.

**Implications:** There possibly will be no COLA next year; possibly a cap on growth.

**Impact:** New focus will be on SIP and Chapter One planning as opposed to focus on categorical programs.

**Implications:** The district will slow down and not do as much.

Participants in curriculum committees won't be paid.

**Impact:** New ideas are generated. The staff at each school site will find the most efficient cost saving methods and will be empowered to made the changes.

**Implications:** Every school is different to a certain degree. Not every school is the same.


**Impact:** Priority needs are listed.

**Implications:** Budget adjustments can be made with consideration to priorities.

17. Ruth Miller, Indio, November 13, 1991

**Impact:** New ideas, new methodology, and new technologies are being considered. Questions are being asked about teacher training; about accountability.

**Implications:** Maybe recession is not so bad. A better system will arise. Business will be involved in education.

**Impact:** Three Riverside County districts needed loans for month-to-month expenses.

**Implications:** *Multi-year projections could prevent this problem.*

**Impact:** School district cash flow is a major concern of the Riverside County Office of Education Fiscal Officer this year - more than ever before.

**Implications:** *Cash flow problems are a sign of serious financial problems.*
Summaries of the Interviews

Paula Mishimi
Sacramento
November 18, 1991

1.

“We are not going to be rolling in the dough.”

Paula Mishimi, staff consultant to the Ways and Means Subcommittee on School Finance meets with lobbyists and analysts at the State Capital. In the past two years, augmentation requests have been down. Few people come forward with the requests - almost none. The main concerns are primarily restoration of cut programs. The way this office deals with programmatic issues is to tread water. Last year, the question of whether Proposition 98 would be suspended or not left things in limbo for this committee. The dollar issues had to wait until the big numbers came down to the subcommittee hearing level. One example was the Los Angeles issue on YRE schools.

In major issues, the lobbyists deal directly with the speaker pro-tem. Lobbyists with clout represent CTA, UTLA and Los Angeles Unified. Last year they got by; this year is going to be another bad year. Paula Mishimi says these groups now realize “we are not going to be rolling in the dough.” Last year, the legislature and the governor dealt with the budget problem in a structural manner. That is they raised taxes (sales taxes) and froze welfare grants.
Impact and Implications

For this year, from March through June, this office will again address issues by dealing with one topic per week in the subcommittee hearings. The following groups participate:

1. Analysts
2. Department of Finance (Governor’s Office)
3. Department of Education
4. Subcommittee members ask questions
5. Testimony on the issue is offered by lobbyists and school districts.

Key Democrats on the committee are Campbell, Hannigan (part of leadership), and Murray; Republicans are Wright, Woodruff, and Allen.
2. "Mismatch between expectations and reality."

John Mockler, education lobbyist, is considered one of the most influential lobbyists in California. This gentleman is tough, and it was a challenge to draw him out. Keep in mind that his wisdom is usually released with a contract for services.

To understand the impact and implications of California's shortfall in the K-12 education budget, Mockler says to look at California's priorities. Schools, private and public, have priority. In the past school budgets were volatile. Now he says the State budget, itself, is more volatile. The problem for those in education is that there is a mismatch between their expectations and reality. An example of this mismatch is Proposition 98. The educators had great expectations. The education community locked itself into spending with this optimum in mind. Then, when the expectations were not realized, cuts had to be made. With costs being built into the system based on expectations rather than reality, the school budget found itself with a shortfall. This same scenario has played in seven of the last twenty years, according to Mockler. Current examples of the mismatch of expectations and reality in school districts are Glendale, Montebello, Richmond, and Los
Mockler contends that management of the districts is better than the California State budget. He says there is no accountability at the state level, yet districts are criticized when they go into debt. For example, he says there are Model Curriculum Standards, but no Model Budget Standards (Note: If AB1200 is implemented, the State Board of Education will have criteria and standards for district budgets) (Pulliam & Vedo).

Mockler says you cannot reorganize the business of school, so the choices are to cut people or cut service level. The option most often chosen is a diminished level of service. The public school is a political entity and is linked to the economy. The public school is subject to marginal internal fights and there is inability to set priority for the public school.

Mockler says historical cycles of ten years each for the last sixty years have marked the state’s economy. The wratchet-like effect of these cycles that occurs in the private sector does not occur in the education sector. Rather, education has moved steadily upward with no correction.
3.

"Some groups are large players in the larger political scene
- a force to be reckoned with."

Rick Simpson is educational advisor to Willie Brown. The Educational community is a large, active, and politically sophisticated group. Even the with the threat of a shortfall, the education community can swarm this office or any other office with mail, phone calls, and visitors. Some of these groups are large players in the larger political scene - a force to be reckoned with. Examples are CTA, ACSA, and CSBA - the latter of whose members could be potential legislative opponents.

The three centers of power are the Governor, Willie (Assembly Speaker Willie Brown), and the Speaker Pro-temp of the Senate. This office (Willie Brown’s) is one of the first places to go to propose actions or get information. One of the current questions being asked of Mr. Simpson is, “Is the legislature going to reconvene before January?” He says the Assembly Speakers office staff meets weekly so that they can keep constituents informed on current issues. In the month prior to meeting with Mr. Simpson, the main topics that stimulated contact with Brown’s office were, “Is the legislature coming back before January?”, and “Is anybody talking about cutting Proposition 98?”
Impact and Implications

Simpson said he and others in similar positions (policy area people) are going to start meeting informally to think of ways to help education in the long-term. One topic would be strategies for the 1990’s. Other questions they might discuss are:

1. Should education be so dependent on the state?
2. What kind of structure is needed?
3. What kind of structure is wanted?
4. What about equity, revenue sources, and the two-thirds vote.

Rick Simpson notes that the property tax base was not as diverse for schools as it was in the past so this triggered the equity issue. He says that California is 94% to 96% within the band of spending directed by the California Supreme Court. California is in compliance with the Serrano mandate. In 1989, there was categorical equalization. Simpson notes that equal dollars does not provide equity. In school finance, laws generally are reactive. He notes it has taken a decade of reacting to each of these: Serrano, Proposition 13, Proposition 4, and Proposition 98. Even AB 198 to implement Proposition 98 was a reaction.

There is never enough money for education. Simpson asks, “What are the goals for financing education?” How does educational finance relate to other areas of state finance? What about the stability, the predictability, and the adequacy of educational finance? Who is in control of the marginal dollars?
Does the education establishment have a siege mentality?

From the perspective of her current job in the Department of Finance, Glee Johnson believes the shortfall will continue. On a personal level, Glee believes that the educational establishment is its own problem.

Glee Johnson was part of Governor Wilson's transition team along with Senator Ken Maddy of Fresno. She then worked in Maureen Di Marco's office in the area of policy. Di Marco is Wilson's cabinet member for education. Johnson currently serves in the Department of Finance. In reflecting on her work with Wilson as part of his transition team, she said Wilson believes that education is a continuum of services to children. Wilson views government actions by the receiving end. He has a great understanding of educational problems, more so than other leaders. He believes assessment is a tool to drive curriculum.

Wilson wants to carry out a preventative theme. The State has been asking teachers to do things they were not equipped to do. Wilson became involved with the Healthy Start idea as a United States Senator. Healthy Start was an attempt to have students ready to learn when they come to school. Wilson is an advocate of pre-school programs as distinguished from
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child-care. He wants to eliminate the "haves and have nots" situation.
Wilson wants to overhaul how kids services are delivered. Several initiatives
would head in this direction: State Healthy Start Program, Volunteer Mentor
Program (an academic mentor - not a tutor), and Pre-school developmental
program.
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Thomas M. Bogetich
Sacramento
November 20, 1991

5.

"The Board is powerless."

Thomas M. Bogetich, Ed. D., Executive director, State Board of Education presents his view. He says the educational system is a system of perpetuation. The philosophy is one of local control but state responsibility. Layers were added to the educational system, but no restructure of administrative units was done. The categoricals are an example. Bogetich says, "Why are there sacred cows - the untouchables?" Then collective bargaining was added. With the shortfall, more bandaids are added instead of a full heart transplant.

Bogetich says the implications of the shortfall are to restructure, that is put the organization into units. Reduce the 1003 districts to 500. There are 58 county offices, and not all are needed. Many smaller ones are not really needed, if it were not for the ROP and the Special Education programs. Ken Cory had introduced many bills to restructure the County offices but none passed. The Committee of Ten report recommended reducing the 58 County Offices of Education to 20 or so. Lobbying at the public trough was the major reason the recommendations were not followed. Local control is a fallacy.

Both the CTA's Del Webber and Joe Alibrandi of the Choice Initiative
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have made presentations to the State Board of Education on the subject of choice. Dr. Bogetich's own idea of the shortfall implications are to finance education based on educational outcome and to change the number of school districts. Differentiated staffing was also mentioned. An example of slow change in solving education's problems that Dr. Bogetich cited was SB 813. SB 813 involved schools decisions to enact reforms whose effects may not be immediately seen such as increased graduation requirements and a teacher mentor program.

The State Board of Education is supposed to be a policy making body, but it has no clout because the Superintendent of Public Instruction is elected. He has the power. The board is powerless and cannot contribute to the overall game plan.
6. Honig speaks from the “Bully Pulpit”

Joe Holsinger is Assistant Superintendent of Public Instruction. He cites the Richmond USD case as an example of the impact of the shortfall in the education budget. They will have salary reductions (approved by CTA), drastic reductions including lost counselors, reduced middle school operations to a five period day, loss of support staff, and book and supplemental materials budget loss. California can expect: a no COLA year, cuts in programs, cut in length of day, and a shortening of the school year. Proposition 98 for 1992 may or may not go into Test III. After $2.4 billion, education loses 55 cents of every dollar.

Holsinger says the escalating costs of health fees are the problem. Health is more important than education. Health, Welfare and Corrections want to take funds out of Education. This action is contrary to Wilson’s policy. There are hard choices. It is not a matter of cutting fat. California has the largest class size, the largest number of immigrants (non-English speaking and not trainee for the workforce), and a huge problem trying to educate these immigrants. The irony of the problem is that after Honig has taken 8-10 years to turn around education with more kids going to college and more work
readiness, the system is being pushed to the limits.

Holsinger's office's role is to preserve funding so schools can do the job. In addition, the office helps to put into law the legislation that will move goals forward. As an example, he cites the Public Choice AB 1614 (Quackenbush). They have worked on this since 1989. Holsinger states only 5-8% of the parents would actually choose schools other than the public schools. CTA blocked AB 1614 in the Senate. CTA's main fear is accountability. This is why they oppose choice. It disrupts the local control factor. Holsinger says the Attorney General favors the choice initiative currently being promoted by Joe Alibrandi.

Holsinger says the California Department of Education is a coordinating agency. The legislature dictates. Honig therefore, speaks from a "Bully Pulpit."
Dennis Meyers, Association of California School Administrators, says good public policy is the answer to the shortfall problem. The impact is on kids. Good resources are given, but it is like a household budget raise; more is never enough. The implications are that California is losing competitiveness compared to other states. (But, no, - education is doing well in California in spite of the fact that they have to deal with problems like immigrants who have poor health and the fact that many districts deal with children representing 80-100 different languages.)

Meyers states the ACSA view is that school districts want to cut back. Administrators jobs are being examined. The expectations are to cut administrators. For example, last year as the budgets were viewed, 5,000 administrators of ACSA’s 15,000 member got lay-off notices. The net effect was a minimal number. There is a view of school administrators as being the fat to be cut. Dennis Meyer’s role at ACSA (he was formerly with CSBA) is involvement with the intricacies of the State Education Budget, particularly school facilities. Bob Wells in the same ACSA office deals with finance issues and the bigger strategies of government.
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In regard to AB1200, the Fiscal Accountability Bill, Meyers says to look at the cycle of accountability bills. ACSA was the most active lobbyist for this bill. The Department of Education relinquished control, leaving it at the county level. This year and next year are going to be difficult for schools. According to Meyers, the latest studies show that by the year 2000, there will be only .8 of a person paying taxes per receiver of benefits. Now the ratio is 1.2 taxpayers per receiver. ACSA is pushing for a strategic plan to focus on kids. They will publicize the role of the administrator. According to Meyers, a big issue for ACSA will be to push a bill to give administrators due process.
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Erika Hoffman
Sacramento
November 21, 1991
8.

“Give locals freedom to meet their goals.”

Erika Hoffman works in the area of policy in Maureen Di Marco’s office. The impact of the shortfall is that kids are not getting all services or classes. There is not necessarily harm occurring, but many children are in crisis. Schools have the role of social workers, physician, and parents. The Healthy Start program brings services to the school district level. The purpose is to coordinate agency services. At the state level, interagency coordination involves seven agencies and 36 departments. None talk to each other. So, in order to create a safety net, Healthy Start was established. There have been more than 830 statutes relating to confidentiality and many other areas that make it difficult for the agencies to work together. With Governor Wilson, prevention is the theme. Remediation does not work. The Governor wants big dollars in the area of prevention. Part of the plan was the addition of the new Cabinet post for Maureen DiMarco.

Erika Hoffman and DiMarco had just visited a San Diego school district viewing three schools with site-based management. The schools had a nurse, counselor, and a psychiatrist. Ninety-three percent of the meals are free meals. Each school had over 1,200 students. The schools served breakfast and
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lunch. Each school had a washer and dryer. Sixty percent of the teachers had five years or less experience. These sites are examples of the benefit of getting control back into the schools. They can address the local issues.

In terms of the implications of the budget shortfall, Erika Hoffman says there are new ideas, and there is impetus within the legislature possibly to give locals freedom to meet their goals. Community leaders, teachers, administrators, and business people need to make plans and decisions. There needs to be specific ideas on how to change the structure or to change certain curriculum ideas.
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Bill Whiteneck
Sacramento
November 21, 1991

9.

“I’ve had more sense of panic this year than I’ve ever had.”

Bill Whiteneck is staff consultant to the Senate Education Committee headed by Senator Gary Hart. Organizational representatives come to this office trying to put a common face forward. They set disagreements aside to come forward with dollar requests. The exceptions to this are a group of districts that want more dollars for high school districts than elementary districts and the situations where districts lose enrollment. Overall the organizations march in step. There are the tours to Sacramento which Mr. Whiteneck termed the “safaris.” They want dollars for enrollments and dollars for inflation. This effort has been a plus for the K-12 level. During November and December, the common Sacramento game is figuring out what is happening.

“I’ve had more sense of panic this year than I’ve ever had. We’ve run out of maneuvering room.” Make cuts or raise taxes, but there is no more maneuvering room. Mr. Whiteneck says, “We are truly at a point where rhetoric has been for a long time, but now the practice has caught up with the rhetoric.” The impact of the shortfall on K-12 school districts is that they should be cautious with 2-5% of their money. With Proposition 98, Test III
will likely apply next year. There are no more gimmicks left. We are truly
into reduced revenue for 1992. Next year there will be reductions. Gary Hart
and Jack O'Connell have tried for changes, but their efforts are not supported
by the Senate Republicans.
Renè Garcia
Indio
November 7, 1991
10.

"We have not seen the worst in terms of California's economy."

Renè Garcia is a member of the Board of Education for Desert Sands Unified School District. In Renè Garcia's twenty-four years in government (currently he heads the State Department of Rehabilitation based in Indio), he has never seen anything like this (recession) in his agency. This agency has had a hiring freeze for eighteen months. Two more employees will be leaving his office.

Garcia was elected in November of 1983 and took office in December. Senate Bill 813 was to take effect at this time. Cash for CAP was one of the innovative programs of SB 813. There was unprecedented enrollment increase. This growth was positive for the district and amounted to about one thousand children per year. Now, however, the growth has slowed.

There is a crisis in education. The state's financial resources have a domino effect on every agency. Desert Sands USD has a budget of $62 million with 3% in reserve. A shortfall will occur in the budget because of the recession; the result will be more people using government services. Garcia notes that there has been a 30% increase in food stamps. Another factor the Board of Educations deals with is collective bargaining, which was made
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possible by the Rodda Act. Desert Sands USD is 86th in size for all California districts. Salaries and benefits used 85-88% of the budget. In trying to cut locally, there are sacred cows (namely salaries and benefits).

Governor Wilson’s appointment of Maureen DiMarco indicates that the child is being addressed. The goal is to develop working agreements with agencies. Bob Presley, of the Senate Ways and Means committee, says there are not enough dollars. Garcia says the rules for receiving funding have to be restructured. There needs to be more latitude to where you can get the dollars.

Renè Garcia’s interest is in technology in schools. Satellite technology and computers are areas to be emphasized in the future. Cost is a barrier, but teachers are the biggest barrier. Technology in schools needs to be fostered from the curriculum side. This technology creates visibility. The schools should be retrofitted for fiberoptics, electrical capacity, and security. The teacher is the most important asset in the schools. Employers must challenge employees. They can create this challenge through staff development.

“We have not seen the worst yet in terms of California’s economy.” The (local) bond issue, of $75 million, is one of the largest in the state. This bond issue was for new construction and rehabilitation of facilities. “Educational programs suffer when there are not permanent facilities.” The state wants to wait.

“Textbooks may, in the next five years, be a thing of the past.” Networking and satellites are in the future. An example of a school that is a
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model of technology, as designated by the National School Boards Association, is the Centillia school in Norco. Technology makes the classroom an interesting place to be.
Dr. Esperanza Zendejas, Superintendent of Desert Sands Unified School Districts says it is when “the pain comes home” that parents become aware of the impact and implications of the shortfall in California’s K-12 education budget. The pain came home for this district when transportation routes were adjusted to save dollars. Specifically for the start of the 1991-92 school year, the elementary routes were adjusted further out from the schools so that more children had to walk to school. Many calls to the school district are made on this issue. Any changes in routes to accommodate special requests are done on a case by case basis. One principal reported to Zendejas that parents call and are angry because they want more buses.

When Dr. Zendejas arrived as Superintendent of DSUSD, she observed that the school buses would be crossing each other’s paths at intersections. An apparent duplication of routes was due to the fact that elementary schools were divided into separate K-2 and 3-5 sites. With transportation being a key element at the elementary level grades, the Superintendent recommended a change back to the neighborhood school concept so that children could more easily walk to school. This plan was immediately implemented for new
schools in the planning and constructions stages.

The teachers, according to Zendejas, were not affected by reductions in salaries by the shortfall, but the budget to attend conferences during school time has been affected by reductions. The Board of Education wants to say yes to requests to keep these conferences in the budget, against the superintendent's recommendation. In a meeting with principals, Zendejas saw no response to the suggestion to be conservative. The principals have not been impacted by the shortfall yet. Her request is to limit staff to essential conferences during non-classroom hours. This request is her first request to the principals to be conservative. It is based on AB163, which extended the school day in California from 175 to 182 days. Zendejas says the bill intended to provide more time for teachers to be with students. Instead, teachers have used the additional time to attend more conferences. In DSUSD, this time has accounted for as much as eleven days. The principals, says Zendejas, are the key players in the budget.

This superintendent uses a conservative approach. She has asked herself, "Do I want to be a pioneer?" The easy way out (of being conservative for the benefit of students education) would be to increase class size.

Based on the fact that a great many school districts are having financial difficulties, it does appear that a superintendent could be a pioneer simply by promoting their conservative approach. It's not that simple.

After the initial interview with Dr. Zendejas, the interviewer was invited to shadow her activities to observe how budgetary questions affect every
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aspect (and the effects of the shortfall) of her daily routine. A day was selected and the first event was a 7:00 a.m. breakfast meeting at the La Quinta Golf Club restaurant. It is a convenient meeting place for the group, and the five attendees wanted to continue voluntarily meeting there even though Superintendent Zendejas said the District would no longer be able to pay for the breakfast. The topics for discussion were called for at the beginning of the meeting. They included

* Source of funds for accommodations for the accreditation team.
* Year Round Education and its relationship to funding construction of La Quinta High School.
* Adoptions of schools by businesses.
* Homework Hotline.
* Review of district policies and potential losses due to weak policy.
* Economics discussion with Board and budget cutting.

Three of the areas generated considerable comment. Year-round education in the district was still up in the air. The specific problem faced by DSUSD was the funding of construction for La Quinta High School ($32,000,000), because the district must be in line to receive funds from the state. Even with adoption of Y.R.E., the district is looking for alternative construction funds. The situation in DSUSD is that their overcrowding is at the middle and high school level, not at the elementary level. The state mandate for Y.R.E. is for elementary schools.

The second area was district policy. Dr. Zendejas says that on a yearly
basis the district must sit down with their attorney and check laws and update policies. She noted that now the policies are weak. The example she cited was a major case involving sexual harassment. The target of the charges was sitting in this meeting, having been reassigned from a principal’s position to the district office. Strong policy, says Zendejas could prevent such situations. She cited student rights policies as being weak as well. There is pressure from various groups for more restrictive policies. Included in this group are local police who want policies restricting types of clothing worn by students. DSUSD does not restrict types of clothing (and likely will not).

The third area was economics. The Superintendent would be asking the Board where we are going to be cutting and to make a determination of these areas. Every Monday, the Cabinet has $50,000 to $100,000 in requests.

After the meeting concluded, Dr. Zendejas did a tour of the district offices visiting food services where she told workers she had requested a new and larger line for packing lunches from the Board. The bus shop was the next stop. The district has its own fleet of buses but they need more. Security has 14 employees. These areas of the district are the grass roots.

By 9:15 a.m., Dr. Zendejas had taken phone calls and was ready to meet with people on scheduled appointments. Tony Clime, the head of Title VII Project, had questions on grants. Zendejas requested that Clime attend a November 15 meeting on application for the America 2000 Project.

Mike Welisch, principal of Roosevelt Intermediate School phones in on parents being angry because they want more buses.
Zendejas reviews finalists for Federal Projects job opening.

George Mitchell is seeking student candidates for award by the Juvenile Justice and Delinquency Prevention Commission.

James Lively, Assistant Superintendent of Business Services, has an appointment to coordinate calendars. They conferred on the sale and lease-back of the district administrative building site. Brad Hudson is representing the county in the sale to the county and lease back to DSUSD. Brad Hudson proposed $3,000,000 as the sales price and $1,000,000 on the lease-back. Dr. Zendejas says this is a problem. Lively, Zendejas, and Hudson will meet at 1:00 p. m. on this issue today.

Another phone question regarding the four proposed Y.R.E sites addresses the issue, “What shade areas do they have?”
Carol McGrew, Assistant Superintendent for Personnel Services was quick to say the impact involved cuts in personnel. No new personnel and reduction-in-force are techniques for both classified and certificated personnel.

There are program cuts rather than percentage cuts. Drivers education is the only area impacting parents now. All levels will still have P.E., art, and music. The Board of Education will look at cuts again in January. There would be opportunity for input on how to cut. There are various task forces and committees to meet on ways to reduce costs.
Sue Troublefield, Assistant Superintendent for Educational Services, said the district is keeping cuts from the classroom as much as possible. The same enrichment programs are offered to children. The new thrust is that principals need to be instructional leaders. There needs to be staff development dollars. This area is the problem. Dollars stop burnout through use of these staff development programs. They help morale, readiness, and preparedness. Programs started by SB 813 in 1983 such as the extended day, mentor teacher program, up to eight days for staff development, and grant moneys for technology and teacher training have also prevented teacher burnout. Two years without these programs is okay; but if the time is longer, the fire (of excellence) started with Honig could be lost. Good staff could be lost. This department has lost seven clerical personnel and two directors. The media center was cut by one-third. Two coordinators were lost. The media facility was reduced from 4,000 square feet to two classrooms.
"Survive ‘till ‘95.”

David Costner, Assistant Superintendent for Business Services for Palm Springs Unified School District says, “It’s not going to get better; (it’s) going to get worse.” The projected 35,000 job loss is now up to 300,000 in the state. Revenues are down; there is job loss. “We are real nervous.” Mr. Costner emphasizes that they will be cautious and careful. He relates that the local business community has a slogan, “Survive ‘till ‘95.” If Palm Springs USD gets no cost of living increase, a cap on benefits is coming. The Board of Education does not want to end up like other districts that are in serious trouble.

Assistant Superintendent Costner says his department is understaffed now. They have only two payroll clerks. If there is a positive side, Mr. Costner indicated that there is a message to unions, to the board, and the community that it is not business as usual anymore. With regard to AB1200, Costner says it will give more teeth to keep districts financially solvent. Palm Springs has been doing these things for the last four years. Tighter fiscal controls will result. Administrators will inform the Superintendent and Board of Education of financial problems or be dismissed. The County (Office
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of Education) will now be more responsible to review budgets of districts.

With regard to accountability, Mr. Costner says the majority of districts are doing a good job. Reserves for Palm Springs USD would be 3%, but the district is now carrying a 7% reserve to be prepared for next year.
"Slow down to a walk and don't do as much."

James Lively, Assistant Superintendent for Business Services of Desert Sands Unified School District (formerly of Culver City and Palos Verdes), said the impact and implications from this shortfall are “more dangerous.” The situation is akin to the early 1980’s. It could be most devastating. There was a feeling of optimism and growth, but the growth (of ADA) has dropped to half of the growth of the previous year. The situation is like a company making money - everything is fine; but when it's not, it's not fine.

Up to the mid 1970’s, there was a feeling that districts hid money. There was a social thing that staff needs more money. Why can we not keep doing what we did?

Last year the cuts were in staff development activities and pupil personnel cuts like music teachers. Now cuts are directed toward essential services. Employees would say why not keep things the same? Is the district hiding dollars? Employees deserve dollars. Proposition 98 is the answer.

The saving grace, says Lively, is the fact that everybody is having a hard time. In comparing neighboring district Coachella Valley Unified School District to DSUSD, Lively says they are not that different. DSUSD is
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managing the fall, CVUSD did not.

Dr. Lively says there will be no COLA next year and a possible cap on growth. He says there are no guarantees with Proposition 98. Right now they must look and plan on the worst case situation. When asked if they had reserves of 3%, he said they had less than 3%. Last year when he came to DSUSD, the income was overestimated in ADA and lottery. The district’s board thinks the reserves should be more than 3%. This year they restored $3/4 million to the budget for physical education and music teachers, as well as counselors.

Dr. Lively described the implications of the shortfall on the district. In the past, the focus was on categorical programs. The new focus will be in SIP and Chapter I planning. They will seek planning grants. They will slow down to a walk and not do as much. If you do not have the money, you do not do things like paying participants who participate in curriculum committees and task forces.

Further implications of the shortfall could be a statewide salary schedule because of the union. Districts have learned from the example of Los Angeles. Dr. Lively says DSUSD is taking a conservative position, but the classical position of the union is to not have a 3% reserve - spend it. DSUSD Administration has a Cabinet that meets Mondays to determine priorities. This cabinet then recommends to the Board. “My good idea this year - I stole it from Honda” - is to have staff find the most efficient cost saving methods within their (own school site) area. Then they are empowered to do this (use
Dr. Lively related an interesting story about his experience while with Culver City Schools. They engaged in strategic planning for six months. There was a myth that all elementary schools were the same. Every school site-plan was different to a small degree. Longitudinal studies showed that five schools were going to focus on one of three areas: 1) Technology; 2) Language immersion; or 3) gifted programs. Choice was possible and was a result of strategic planning.
Dr. Diedrich, Superintendent for Palms Springs Unified School District, addressed the impact of the shortfall on the district with a list of district priority needs. In turn, lists of budget adjustments were developed commencing with August 1990, April 1991, and June 1991 (Appendix D). They will have to cut $3,000,000 over a two year period that began in August of 1990. The district has been a growth district, but this was the first year that there had been a decline in enrollments. Diedrich is concerned about whether the decline will correct itself. Programs and services feel the impact. Cuts are the impact of the shortfall. The district gave an increase last year at the COLA level, but there also has been an increase in health costs and utilities. Diedrich says the salary schedule has an impact on the morale of the staff. In administration, no employees were added even through they were authorized for twelve more.

The implications of the shortfall for PSUSD will be that it is more frugal. They currently have an extra $1.8 million in reserve to be maintained. He notes that step and salary increases automatically increase $1.2 million per year. He says staff development comes through categorical funds.
Ruth Miller is a member of the County Board of Education of Riverside County, a trustee for area six. She is a retired Marine NCO. “I don’t think it’s over with, at least (for) a few more years; the scar is going to be there.” Ruth Miller sees new ideas, new methodology, and new technology coming in this time of undulating and flexing. Maybe the recession is not so bad after all.

Miller asks the questions, “What can we do better and how are we preparing teachers?” She says we should not lock into teaching methodology, citing Madeline Hunter and others as examples. She addressed the challenges of President Bush’s America 2000 program including the six national goals of education when she says every person is to be literate. How are we going to do this? The CSBA has a task force on adult literacy. They suggest one way is to use non-credentialed teachers (college educated persons, for example). Miller suggests that we break out of the mold of structured (classroom) education.

In three to four years, different types of teaching methods are envisioned by Miller due to these factors:
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* Satellite technology for classrooms with participation by companies such as At&T, GTE, and ComTel (optical technology)
* More business to be involved
* Research development orientation of business
* Service industries looking at doing their job better, to be more competitive.

Miller's concern is that universities are still in the factory mold idea. When principals can put a young teacher in a mold, they lose their creativity. Leadership needs to recognize that people work differently.

According to Miller the end result of education is to read, write, do problem solving, and have confidence. "Accountability is coming back to haunt administrators. The questions is, can we make better use of funds? What is the best program?" How do we best utilize the funds that we receive?" Some districts are not accountable. Out of the ashes we will rise . . . to see a better system.

Miller addresses another of the national goals of education in mentioning that Maureen DiMarco was appointed by Governor Wilson's newly created cabinet position of Child Development and Education Advisor. The goal addressed is that all children will come to school ready to learn. DiMarco is still a board member for an Orange County School district. This illustrates that California is going to be more involved in education. Possibly the school will be the center for serving students needs as a coordinator of agency funds serving the welfare and health needs, the homeless, and providing
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vaccinations. An example of a need for such services is described by Miller. It is called Slab City, a former Marine base that later became an Army base on the east side of the Salton Sea. Slabs for tents were built by the Army, but its current use is as a center for a swap meet. People who live there leave as soon as school authorities come. It is the same way in the Indio Hills where Miller lives. Are outdoor schools the answer with a motorhome delivering educational services? One problem the school districts have not solved is in tracking students - that is, keeping track of students who move around. Miller says the technology is available to do this tracking. She cites the Little Rock headquarters for Migrant Education in the United States, which serves this purpose.

One key to change is the universities. Miller says they will change because business will demand it. "If we are going to be competitive, we are going to be involved with education."

One of Ruth Miller's frustrations is with authority figures in the schools and universities who say "My way is the only way." A new and different type of philosophy is needed where business is involved in identifying what skills are needed. An example is the Regional Occupational program which Miller says needs to be looked at in more depth. Give the student as much information as they can, so they do not have to start at the bottom. She suggests 2+2 programs or 2+2+2 programs for high school and junior college.
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Anthony Soria
Riverside
December 16, 1991

18.

“Everything has to do with the economy of the state.”

Anthony Soria is fiscal officer for the Riverside Office of Education. Tony is in his third year at the county. The shortfall occurs when people do not pay their taxes and when there is not as much sales tax as anticipated. “Everything has to do with the economy of the state.” The problem is schools, with school construction being a major problem. General purpose dollars are being used for construction. In addition construction funds come from Mello Roos and redevelopment moneys. This year more than other years, Tony Soria’s office is concerned with cash flow. They spend a tremendous amount of time reacting to districts’ financial situations. Some districts are getting temporary loans from the county.

AB1200, approved on October 14, 1991, will impact Tony Soria’s job. The powers of the county office will be vast. The county has never had authority to impose a budget unless the district is insolvent. In the past, the Valverde District had two temporary loans. Currently the Coachella Valley School District situation has called for the county to have an advisor to that district’s board. The advisor is concerned with three areas: 1) interests of the county, 2) teaching the staff (to do their job), and 3) teaching the Board to say no; they
have to learn to make decisions. Other concerns of Soria’s office are the economy, taxes, homes and housing, and developer fees.

There were three districts right now that had called him and said they needed a county loan for month to month expenses. Prevention of such problems, said Soria could be aided by multi-year budget projections.
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Discussion and Conclusions

Many of the implications relate directly to the shortfall’s financial impacts. The implications are taking on forms that may necessitate structural change, rather than simply implying “tighten the belt” tactics. Structural change occurs with change in the law or change in policy at the state, county, or district levels.

Some of these implications relate directly to budget trimming activities. For example, the CTA has approved salary reductions in some districts; some districts project that there will be a cap on benefits; breakfast meetings will not have a free breakfast; and committee members may not be paid for their time. Some impacted areas will benefit from local cost cutting efforts as well as structural changes at the state level. One of these areas is transportation.

Transportation

At the local level, boundaries for school bus service were extended. In the elementary schools, for the many districts whose parents rely on bus transportation, this area of reduction in service had dramatic effects on the families with elementary school children. The simple action of increasing by one-half mile the radius of an area served by buses can cause a dramatic change in family life. Concerns about safety or health in geographical areas of extreme weather conditions, give rise to immediate
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pressure on the local principal, superintendent, and school board to provide expected transportation services. California parents had grown to expect transportation services, but the cost of delivery of this service became the target of a major structural change. On March 16, 1992, California's State Supreme Court ruled that schools can charge bus fees. Justice Edward Panelli said, "Transportation is simply not an educational activity" (EDCAL, p.1). In the districts that decided to charge fees, this revenue could be an additional source of dollars for educational programs.

Districts Spend Reserves

School districts are dipping into their reserves, spending it all, borrowing from the county, and some have resorted to long term financing of operating costs. The extent of California's difficulty not only in financing education, but in the management of the finances they do have, is revealed in State controller, Gray Davis' Annual Financial Report of California Schools (K-12) (Davis).

AB1200 in San Bernardino County

A major structural change was the passage of AB1200. County Offices of Education will be implementing this legislation. AB1200 will provide a structural change in how school districts and county offices of education monitor the district budgets to prevent insolvency. It is of interest to note that the problems addressed by AB1200 are problems that have been in
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existence for some time. These problems were cited by the “Going Concern Report” as part of Gray Davis’ Annual Financial Report of California Schools (K-12). It seems to be the shortfall, continuing for more than one consecutive year, that has exacerbated the problem and is bringing the issues to the legislature for action.

According to the analysis of AB1200 done by the Deputy Superintendent of Business, Barry Pulliam, of San Bernardino’s County Office of Education, the bill calls for a number of statutory revisions. These revisions affect the budget process, interim financial reports, debt issuance, fiscal advisors, and collective bargaining agreements. The role of the county office in implementing these statutory revisions is outlined in the document *AB1200: Monitoring the Fiscal Health of School Districts and County Offices of Education*, published by the San Bernardino County Office of Education. This legislation opens the door for more communications between district offices and local districts and also gives the county power to act if necessary. This particular county office has taken a proactive approach with their districts. This county service shows a pattern of informing the districts, educating them on relevant fiscal issues, and inviting information exchange as they deliver their support services.
AB1200 and Union Contracts:

In the area of insufficient funds to meet union contracts, the legislature reminds us that one of the symptoms of schools in financial trouble is that districts have granted pay increases in excess of COLA. Unpublished research directed by David Stine of California State University, San Bernardino, shows the history of salary settlements for the three years from 1988 to 1991 and their relationship to the COLA (Stine). All districts in San Bernardino and Riverside County were included in the research. It was hard to find the single district that did not grant salary increases in excess of COLA based on an average over the three year period for teachers. With AB1200, the union contract will have to go through a sunshine period before the public, before acceptance by the board of education. This is a new idea. The public will have a chance to consider the long term effects of such contracts, because multiyear projections of the impact on the district will be available.

Accountability

The emerging issue of accountability surfaces in these interviews. A look at the work of the California High School Task Force, to date, shows that one of the main issues in developing A Vision of the New California High School is accountability (CDE). The main feature of this particular accountability system is assessment of student outcomes. The assessment in turn offers the key ingredient to educational reform. On the subject of reform this statement
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by the Task Forces report gets to the an important point: “Many of these reforms will require additional funding: however, lack of funding should not be accepted as an excuse for inaction” (CDE).

School Districts on Verge of Bankruptcy

The story of Coachella Valley USD, as told through news accounts, brings out key issues that face all school districts, counties, and California’s state government in facing the impact and implications of the shortfall. The check and balance systems built into the local district’s education system seem to have broken down. The effectiveness of these check and balance systems between the following groups are now being questioned:

* Superintendent and Board of Education
* Public input and the Board of Education
* Annual audit by independent CPA and the Business Division of the district.
* County Superintendent’s Budget Certification and the Local District Chief Business Official, the Superintendent and the Board of Education.
* Adequacy of district reserves and union multiyear contract projections.

The majority of interviewees expressed great concern over the current plight of education in California created by the current shortfall. The concern, however, was deepseated. For most, the problems they faced could
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not be answered simply by finding more dollars for education. It was evident that this small sampling of interviewees were trying to find answers for effectively educating California's growing school population. For some, there was a great sense of frustration. For others, there was a sense of hope that their efforts to change the structure of education would help relieve the negative impacts of the shortfall.

Californians want to be leaders. There is great pride in this state in being the leader. There are many individuals and groups in the public and private sector who want California schools to lead the way to an enriched life and economy. The greatest difficulty now is for individuals to find a place to make their voices heard. School Boards are having to learn how to represent their communities again. Parents are taking classes to learn how to be leaders within the school community. A ground swell is starting in this state to take back local control. That is, the stakeholders in the education system want to reclaim those responsibilities they had in the past. Power and responsibility to make educational institutions meet their needs had been relinquished or abandoned.

The lesson that people are learning is that numbers of dollars for education do not alone solve problems, but rather, the allocation of those dollars to improve student outcomes has become the issue. Individuals who are stakeholders in the education community can influence dollar allocations by exercising their influence by participating in the check and balance systems currently in place.
Bibliography


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Sacramento, State of California, Office of the Controller.


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ED271886: EA018676)


Appendix A

Fiscal Policy planning and Analysis 10/9/91
### NEA91BA SUM

**1991-92 BUDGET ACT**

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<th>Year</th>
<th>California NEA expenditures</th>
<th>California ADA</th>
<th>Expenditures per pupil</th>
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<th>Lottery Dollars/ADA</th>
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<th>Difference from the average</th>
<th>Top quartile</th>
<th>Difference from top quartile</th>
<th>First</th>
<th>Difference from First state</th>
<th>Calif. Average</th>
<th>National Average</th>
<th>Difference</th>
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