

Lesson 8.1

Spending: Does California Skimp on Education?

California has skimped on schools for years. These charts bring it home.



Is it true that students in California receive less support for their education than students in other places?

Yes. It's true.

California Skimps

California consistently skimps on education, and has done so for

In This Lesson

How does California funding for education compare?

How much funding do schools get in California?

Are California voters aware of low funding for schools?

Is California a rich state?

Does California have high taxes?

Does California have more children than other states?

decades. By how much? Well, buckle up. Measuring it is more complicated than it might seem.

What does it mean that California expends low "effort" to fund education?

Has spending on prisons grown faster than on schools?

Does California spend more on prisons than schools?

★ Discussion Guide

There are several ways to quantify how much states spend on education. EdSource.org, the preeminent source of expert news about the California education system, [summarizes the challenge](#) brilliantly:

"How does California rank in K-12 per-pupil spending nationally...? a) 46th; b) 41st; c) 29th; d) 22nd.

The answer is all of them. Depending on how spending is calculated and how up-to-date the data are... the state's ranking varies widely."

Let's start with answers (c) and (d). These are two slightly different versions of a simple-math comparison: divide the number of dollars spent on education by the number of students served. By that simple ratio, California's education funding per student is middle-of-the-pack. About average.

A simple dollars-per-student ratio is misleading, though. Dollars are only good for what they can buy, and it costs a lot more dollars to run a school in California than it does in, say,

Dollars are only good for what they can buy.

Nebraska. Salaries make up most of a school's costs, and salaries in California are higher. They have to be. The labor market responds to supply and demand, and Californians with a college degree have lots of employment options. The rankings that place California at or near the bottom compare purchasing power per student, not simply dollars per student.

Dollars don't educate students, teachers do.

In order to meaningfully characterize the value of each state's expenditures for education, answers (a) and (b) adjust for the purchasing power of educational dollars in each state. The

most thorough analysis of California's educational investment gap can be found

at CalBudgetCenter.org, which takes local labor costs into account. For students, parents and community members, this is the comparison that should matter. Dollars don't educate students, teachers do.

By these meaningful measures, California consistently ranks at or near the bottom of the list. Education Week regularly compares funding per student based not just on nominal dollars per student, but based on what those dollars can actually buy in each state. On that basis, California funds education at a level about 72% of the national average, and less than half that of New York. (Source: 2017 [Quality Counts](#) report based on 2013-14 expenditures. Data to compare states' spending on education is [chronically](#) many years out of date. But it also tends to change very slowly.)

Why is it important to know that California skimps?

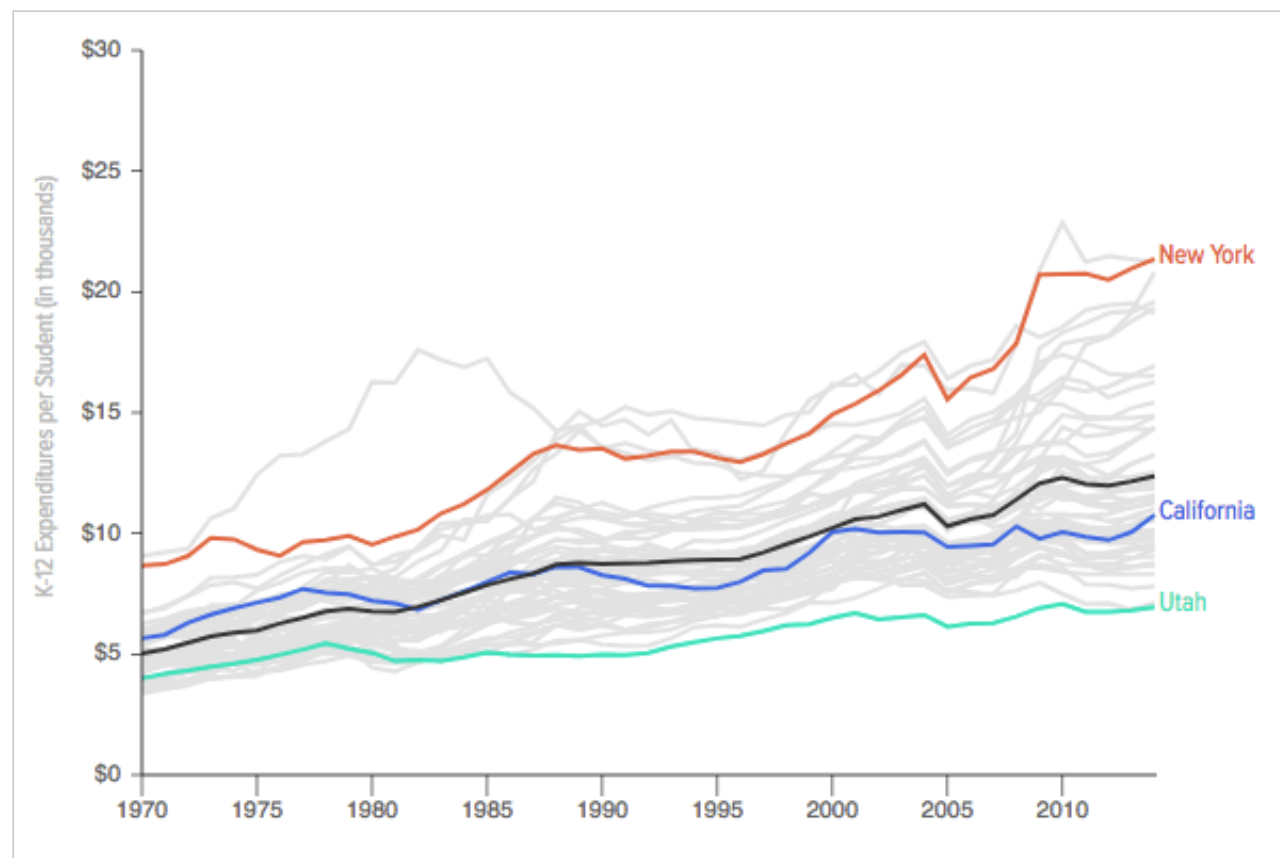
Because it turns out that money really does matter. It seems obvious, but for a very long time education outcome data were so low-quality that it was quite [difficult](#) to prove a connection between money and learning. The connection was significantly clarified in two studies included in the 2018 Getting Down to Facts II project. "[Money and Freedom](#)", a study of the impact of California's Local Control Funding system, concluded that "money targeted to districts with the greatest student need has led to improvements in student outcomes". In a separate study, researchers were asked to make a responsible estimate of how much money it would take for California's education system to provide all students with the opportunity to succeed in college and career. Following precedents used in other states and findings from expert panels, they concluded that the state would need to [increase expenditures](#) by 38%, with variations based on regional costs.

This conclusion squares with work by other researchers. For example, "[How Money Matters](#)" looks at additional research that comes to the same conclusion: "On average, aggregate per-pupil spending is positively associated with improved student outcomes."

What Happened? Why is California so skimpy?

Long ago, in the 1960s and early 1970s, California was once a top funder of public education. In a long, slow slide, California has joined Florida and Texas toward the bottom of the national stack. Funding per student in California, adjusted for the most conservative measure of inflation, stands only slightly above where it stood forty years ago. California is no longer even near the top of the stack. A 2016 report, "[California's Challenge: Adequately](#)

[Funding Education in the 21st Century](#)", estimated that "the amount of additional funding that would be needed to move California to the average funding level of the top 10 states is ... roughly a doubling of current state funding."



Education expenditures per student by state, 1970 - 2014, adapted from EdSource *States in Motion* interactive graphs. Click image to visit.

Really?

How can this be? Isn't California a rich, high-tax state?

Yes, California is a fairly rich state. Based on the 5 years from 2011 to 2015, for example, the state's [median household income](#) of about \$61,818 exceeded the rest of the USA by about 17%.

And yes, California also collects higher taxes than most states. California's overall [state and local tax burden](#) relative to the state economy exceeds the national average by about 11% according to taxfoundation.org. For the 2009-10 fiscal year, California's [Legislative Analyst Office \(LAO\)](#) pegged California's state and local tax burden at \$11.30 per \$100 of personal income, high enough to put it in the top ten states in the country. (High-income taxpayers might be surprised that the state's overall tax rate exceeds the national average by only 7%. They might also be surprised to learn that the tax system in the state is [regressive](#), meaning

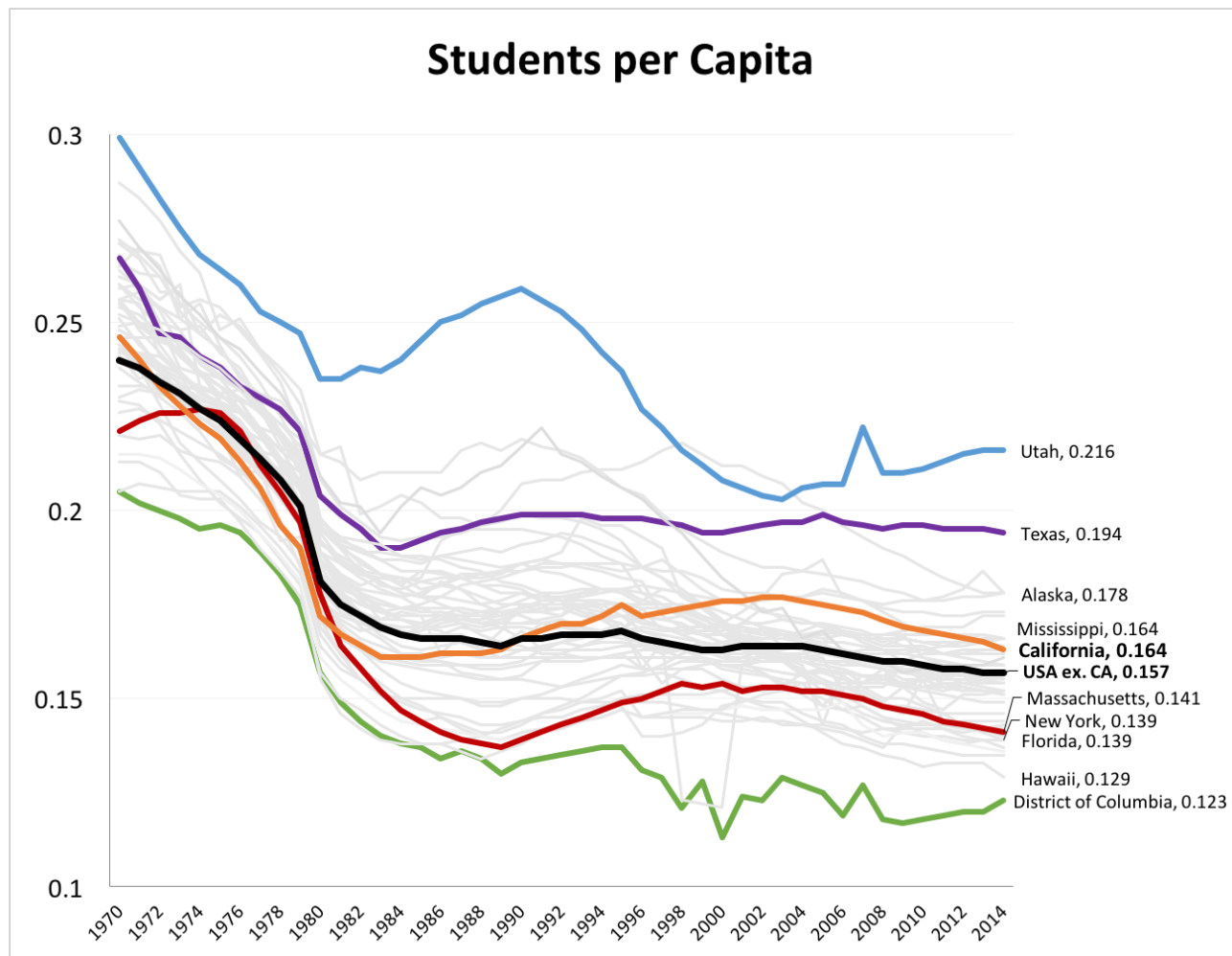
that lower income taxpayers carry a higher overall tax burden than wealthier taxpayers.) Want to know even more? California's Legislative Analyst produces a report with a full rundown of [California's Tax System](#).

If California has an economic tax base 17% larger than average per household, and levies state and local taxes at a rate 7% higher than average, how can it possibly fund K-12 education so far below average per student?

Youthfulness

A small part of the answer is that California is a youthful state. It has more students per taxpayer than most states do, so funding for education must be spread among more students in California than in most other states. Texas faces this challenge to an even greater extent than California. By contrast, Florida and Hawaii, famous as retirement destinations, have a relative abundance of taxpayers per student.

California's overall tax system is regressive: the lowest-income families pay the highest share of their total income in taxes.

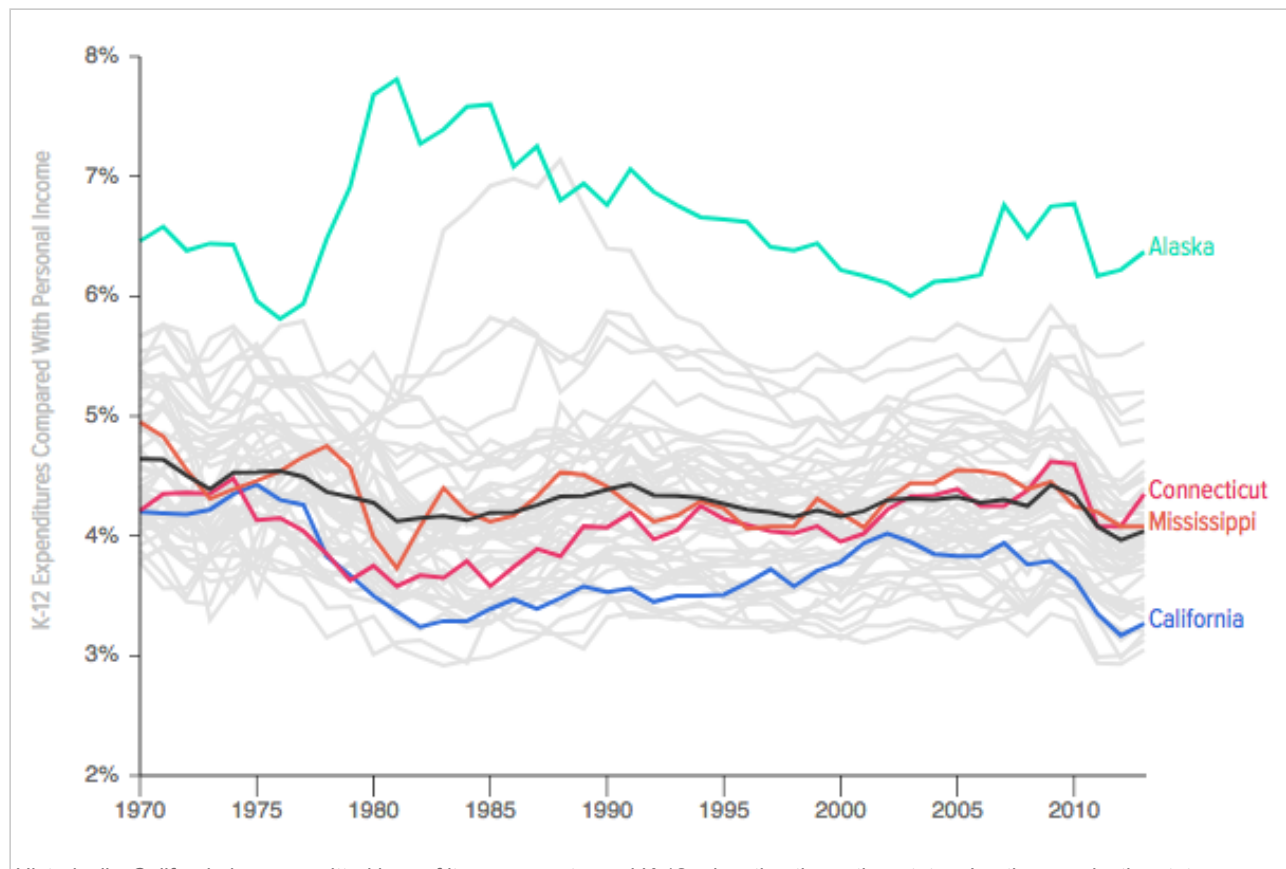


California has more students per capita than most states, so the resource pie for education is shared among more students than it is in places with fewer young people, like Florida, New York, Massachusetts, Washington D.C., Hawaii and Florida. Texas and Utah must share their education funds among substantially larger numbers of students. An [interactive version of this chart](#) is planned to be made available by EdSource. The underlying data can be found [here](#).

Other Priorities

Age demographics do not explain away California's skimpy education funding, though.

For the last four decades, California simply hasn't made education a priority. A state or nation's "effort" to support education is objectively measurable: calculate its funding for education as a percentage of the economy.



Historically, California has committed less of its economy toward K-12 education than other states. In other words, the state commits less 'effort' than most states to fund its schools.

In 2014-15, public primary and secondary education accounted for about 3.27% of California's economy. Powered by a big boost in the state's education budget, this was a significant increase in "effort" from prior years in California. Nevertheless, California still lagged in its level of commitment to education relative to the rest of the states, where education accounted for 4.04% of the economy. It may sound like a small difference, but 0.77% of California's economy is real money.

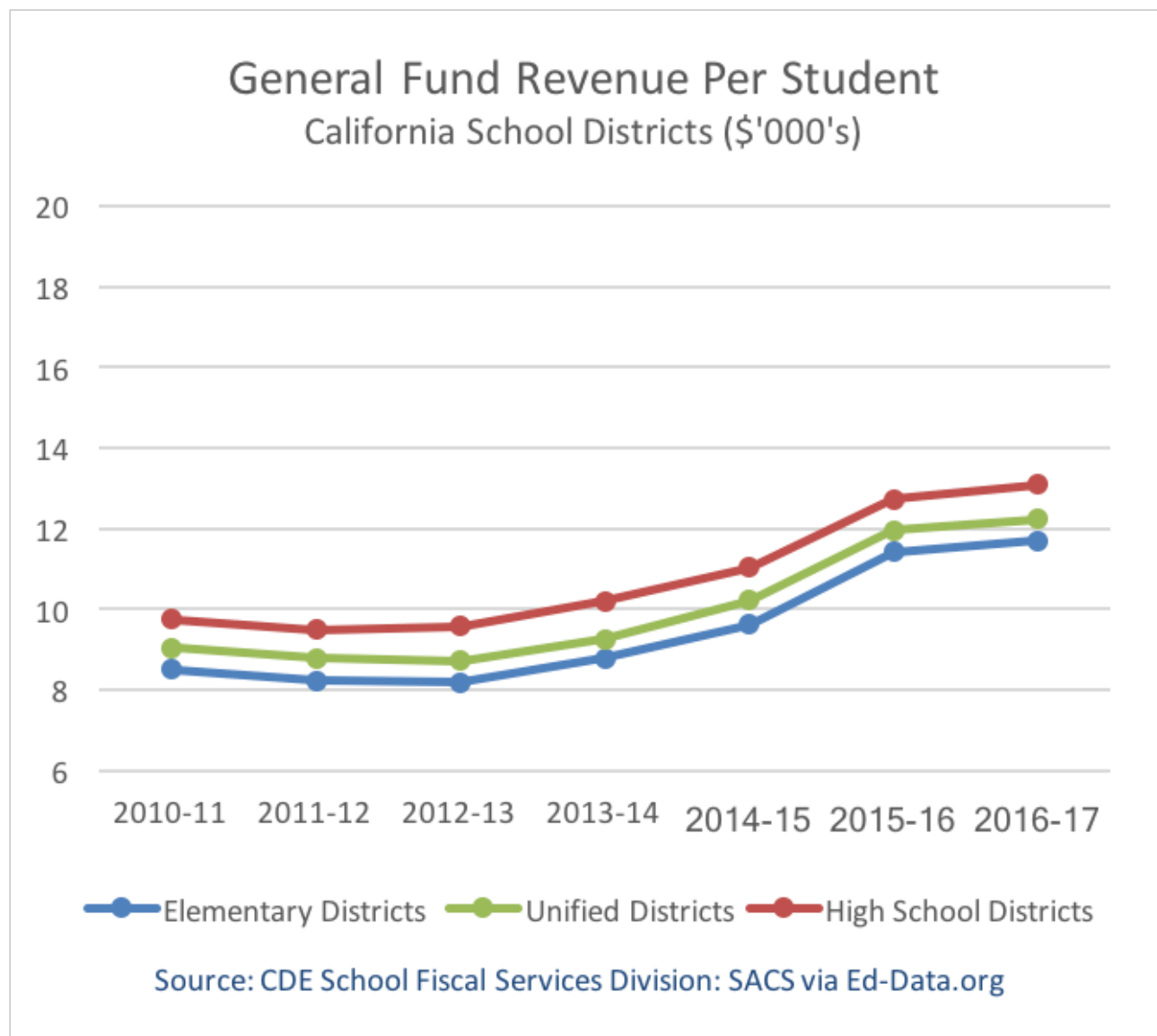
Budgets are an expression of values

Does the state's long pattern of low investment mean that Californians place a relatively low value on public education? It might. For example, since 1970 California has increased spending on prisons and incarceration about three times as much as it has increased spending on education. Spending on health care has expanded even more.

There are some reasons to believe that the tide might turn in education's favor. For example, according to the Public Policy Institute of California (PPIC), about 2/3 of California adults and voters now say the current level of state funding for their local public schools is not enough.

This consensus can drive change. In the years following the Great Recession, Californians passed two ballot measures, Propositions [30](#) (2012) and [55](#) (2016), to raise revenue (mainly) through an income tax on California's highest earners. The stock market subsequently rose from its lows to new highs, reviving education funding from its collapse in 2008. Equipped with this revenue, California's lawmakers passed budgets in 2014 and 2015 that revived and then increased funding for education in California.

The increase was tremendously important, but it's important to keep it in perspective: California still significantly lags other states in the resources it invests in the education of children. The chart below shows California education dollars per student for elementary school districts, high school districts and unified districts. The top of the chart is set to \$20,000 per student for a reason: it's approximately the average amount invested each year in the education of each student in the state of New York.



For students, these investment gaps are recurring, and should be thought of as cumulative. We invest in students over the course of a 13-year education. Each year, California invests about \$7,500 less per student than the average of the ten states that invest most generously in their public education systems. Over 13 years of skimpy schooling, that's an investment gap of more than \$100,000 per student.

Structurally Skimpy

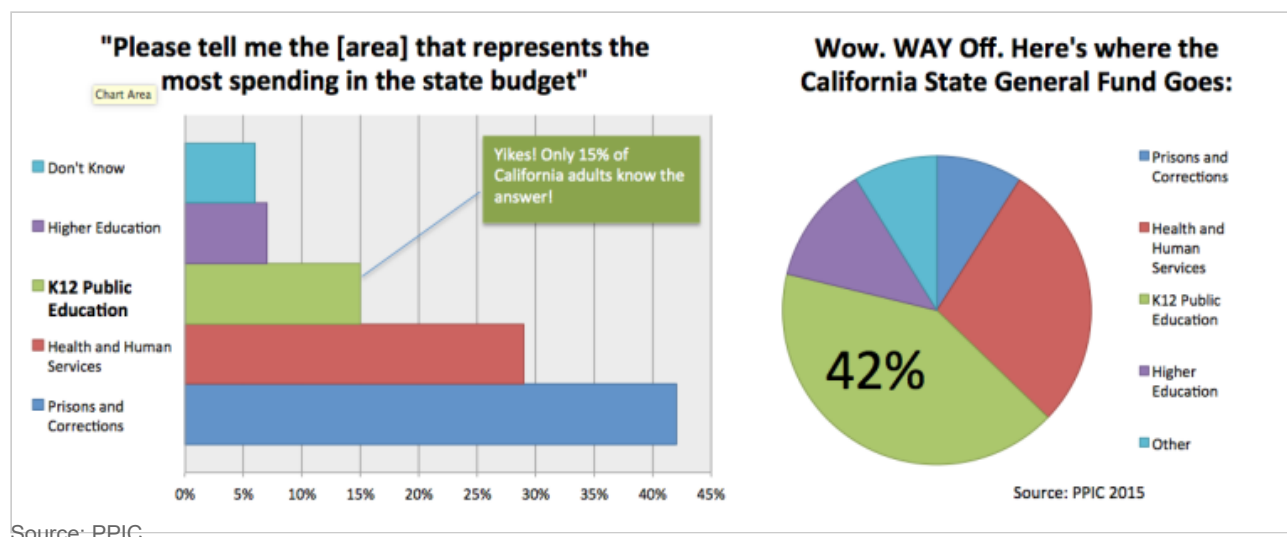
Long-time observers of California's education system often connect the state's habit of skimpy investment in education with Proposition 13, which flipped the education finance system from stable local funding (through property taxes) to volatile state-sourced funding (through income taxes). An unintended consequence of this structural change is that it weakened voters' political will to tax themselves. In general, voters tend to support taxes that help their immediate community more readily than they support taxes to help others less close to them. By flipping the basic revenue model from local to statewide, California overturned its political underpinnings. School funding in the state has never recovered.

Clueless

Of course, it's important to acknowledge that most Californians have no idea at all about their state's level of investment in education, either in absolute terms or relative terms.

Education is the largest function of government.

According to an annual survey by the Public Policy Institute of California (PPIC), only 15% of Californians can correctly identify the biggest slice of the state's budget. Nearly half think that the state spends more on prisons than any other function.



California funding for K-12 education is skimpy, but it is still the largest function of state and local government.

Updated August 2017

Updated April 2018

Updated October 2018

Lesson 8.2

Education Dollars: What They Buy

If you compare school budgets, don't forget to compare this...



As discussed in the previous lesson, California is a chronically skimpy spender on public education.

This is bad news for California students, especially because California is an unusually expensive state in which to run a school. Most of the costs of a school are "people" costs. Salaries in California are

In This Lesson

What do school budgets buy?

Is California really a high-cost state?

Why are class sizes in California so large?

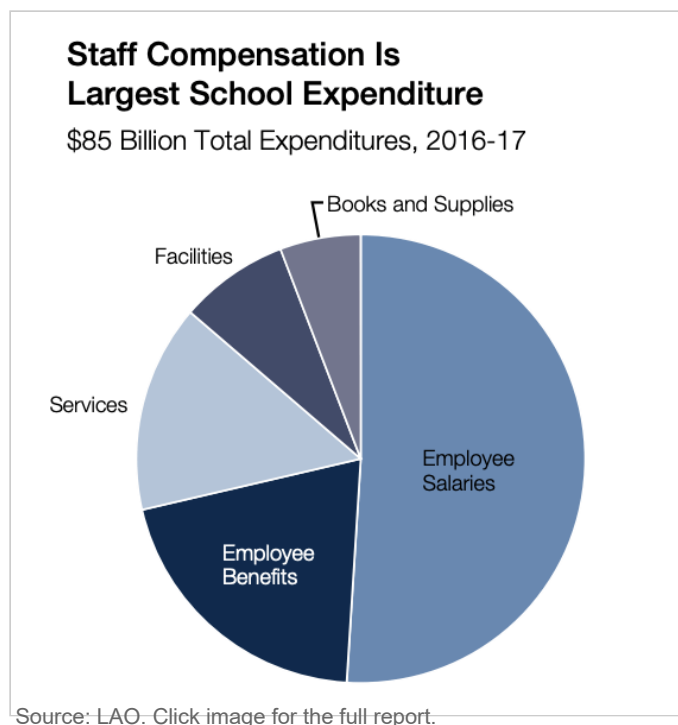
What is the difference between student-teacher ratio and class size?

The problems with comparing California

Do California schools have a lot of administrative overhead?

★ Discussion Guide

higher than in other states, and that means California school districts can afford fewer of the things that make up a school — such as teachers, school leaders, counselors, aides, and support staff.



Context Matters *A dollar's a dollar, some folks tell ya / As if it were really true / But teachers cost more in California / Than teachers in Texas do.*

Because California is a high-wage, high-cost-of-living state, education dollars don't go as far here as they do in Texas or Florida, which fund students at a level roughly comparable to California. Other high-wage, high-cost states such as New York, Connecticut, New Jersey and Massachusetts invest considerably more per student than California does. There are different ways of ranking the states in terms of the dollars they invest in education, as discussed in Lesson 8.1. From the perspective of students, the rankings that matter are those that compare [purchasing power](#). From that perspective, California's schools are very lean. This is a high-cost state with low funding per student.

Fewer Adults

The math is unavoidable. Higher salaries and less money to pay for them means California children have fewer adults involved in their education. In January 2017, the California Budget and Policy Center explained the impact in a data-rich [Fact Sheet](#): As usual, California ranked last in the nation in the number of K-12 students per

teacher in 2015-16. California's student-to-teacher ratio was greater than 22-to-1, a massive 40% higher than the national ratio of 15.5 students per teacher. National figures are strongly influenced by California, which educates about an eighth of America's students. The ratio in the US excluding California is about 14.8 students per teacher.

It's not just about teacher ratios, either. California compares unfavorably with other states in terms of the presence of adult professionals, period. Until 2012, a national survey compared the states in terms of students per counselor and students per librarian. On the last such count, California ranked last — the survey has since been discontinued.

Skeptics sometimes accuse California of frittering money away on bureaucracy. While there is always room to be smarter, it's important to know that on the basic numbers it does not appear the state suffers from a surplus of administration. The state has significantly fewer administrators per student than average. In fact, one theme of the Getting Down to Facts II studies is that teachers and leaders lack the support they need to be effective and persist in their difficult work.

The student-teacher ratio in California is much higher than in the rest of the US

Too much bureaucracy? Actually, California has significantly fewer administrators per student than average.

Comparing resources in schools (Based on [California Budget and Policy Center](#) Estimates for 2015-16 or *2012-13)

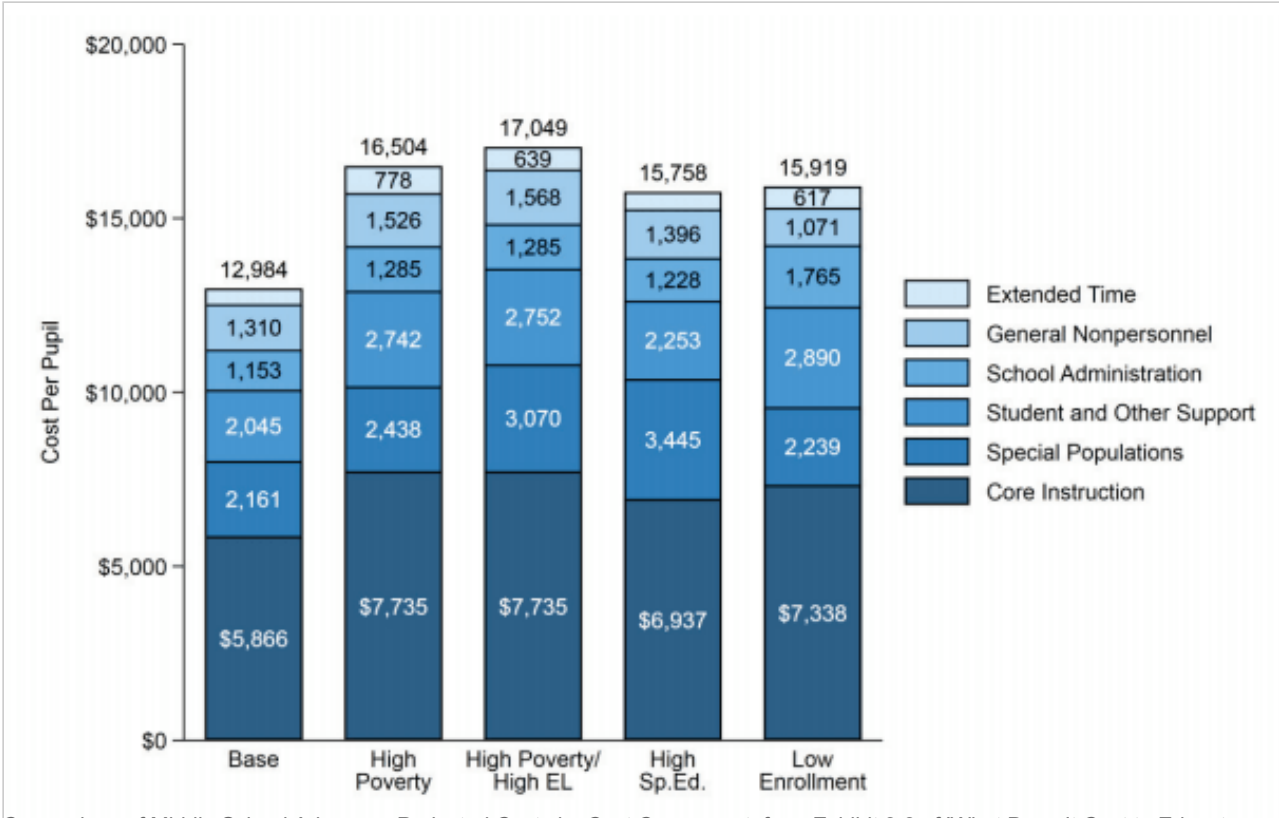
	California	Rest of USA	California rank
Students per teacher	22.1	14.8	Worst in USA

Students per counselor*	790	414	Worst in USA
Students per librarian*	7,834	851	Worst in USA
Students per administrator* (school site and district admin)	315	192	47th in USA

More People, More Cost, More Adequate

In many states, courts have become involved in the question of what constitutes an "adequate" public education. These cases, generally known as "adequacy" litigation, have led to increased spending in some states, but California's courts declined to follow their lead. But the question is meaningful, anyway. What resources do schools actually need in order to provide students with an adequate basic level of education?

The 2018 report What Does It Cost to Educate California's Students takes a bottom-up approach, following the example of litigation in other states. The study, part of the "Getting Down to Facts II" project, consulted multiple expert panels to estimate how many more people and services it would take for California to deliver all students an adequate education. Below is a summary of the findings for middle school, showing higher costs for schools with students with higher needs.



Comparison of Middle School Adequacy Projected Costs by Cost Component, from Exhibit 3-3 of 'What Does It Cost to Educate California's Students?'. Source: AIR calculations based on PJP resource specifications.

In the chart above, the stacked bar on the left represents adequate funding per average pupil for a basic middle school based on the panels' findings — about \$13,000. But in schools where there is a concentration of poverty or students learning English, additional supports are needed, and the cost to provide a basic adequate education is higher.

Here is what the experts recommended for adequate staff and services:

Core Instruction

Seven periods a day AND two periods for planning and collaboration among teachers.

An average class size of 22 students for the core subjects (i.e., English language arts, Math, and Science). This excludes resource teachers or teachers supporting special education and English learner students. Once these additional instructors are considered the estimated pupil–teacher ratio is 15:1.

Special Populations

One or two English language specialists, as well as two educational assistants to support new students who are classified as ELs.

Small caseloads for special education staff: up to 7 students with high-severity disabilities per educational specialist, and 17 students with low-severity disabilities per educational specialist.

Student and Other Support

About 10 more instructional and pupil support staff for a typical middle school with 609 students.

Professional development opportunities for staff, including in-house programs as well as funds for teachers to attend conferences.

Extended Day and Year

Smaller class sizes in the extended time programs (compared to the core program class sizes), reducing the pupil–teacher ratio from 30:1 to 18:1.

All students with severe disabilities enrolled in special education to attend summer school.

On top of the ongoing requirements above, California's school system is also saddled with large and rising costs related to teacher pension obligations. These are discussed in [Lesson 3.11](#).

Parent groups, local education foundations, and philanthropists in California try valiantly to support their schools with [fundraising](#) of many types. But they cannot plug an operating gap of this magnitude.

The next two lessons explain the sources of school funding in California and how the state got into its current situation.

Updated August 2017, March 2018, November 2018, October 2019.

Lesson 8.3

Who Pays: Where California's Public School Funds Come From

Actually, most of the education budget comes from...



In every state, education funding comes from a combination of federal, state, and local sources. The mix varies a bit from one state to another.

Education is [not a big slice](#) of the federal budget pie. Federal funding isn't a big slice of overall spending on education, either. The federal government provides less than 10% of funding in most states, including California. The rest of the

In This Lesson

Do property taxes pay for schools in California?

How is school funding set in California?

How much does California's lottery help the schools?

Can school districts in California set property tax rates?

Where does funding come from for my school district?

How did Prop 13 change the source of funding for schools?

Why are property tax rates the same everywhere in California?

money usually comes about equally from state taxes and local taxes — especially property taxes.

California is different.

How Much Do Schools Get and Why?

What was proposition 13?

What do property taxes pay for?

What is a "Basic Aid" district?

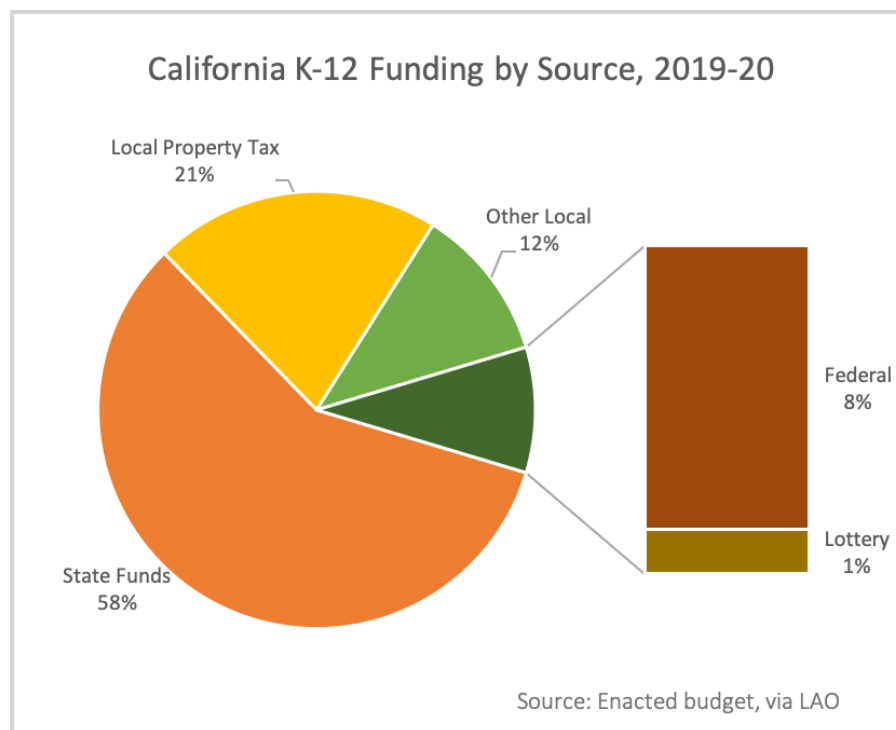
How much money does the lottery bring to California schools?

Why are California budgets so volatile and uncertain?

What is Prop 2?

★ Discussion Guide

Property taxes in California play an important role in funding K-12 schools, but the role is much smaller than most expect. Less than a quarter of the money for K-12 schools comes from property taxes, significantly less than in [other states](#). The chart below shows the main sources of general operating money for K-12 education in the 2019-20 budget. The pie doesn't tend to change a lot from year to year.



Less than a quarter of the funding for public schools in California comes from property taxes, which are also collected to support other local government functions. Most of the money for K-12 education does *not* come from property

Property taxes fund less than a quarter of the cost of California's public schools

taxes. The big source of revenue for schools is state income taxes, especially taxes on the state's wealthiest earners.

The State Lottery brings delivers about 1% of the education budget. Enough said.

The "local misc funds" slice, about 5% of the funding pie, is generated and controlled by local school districts. This sliver includes interest income, income from leasing out unused property, oil wells on school district property, [parcel tax](#) proceeds, donations, and a salad of other miscellaneous sources. (You can find more about your own district's sources of revenues in the [District Financial Reports on the Ed-Data website](#).)

With rare exceptions, the state apportions education dollars to districts based on a calculation known as the Local Control Funding Formula. Lesson 8.5 explains it.

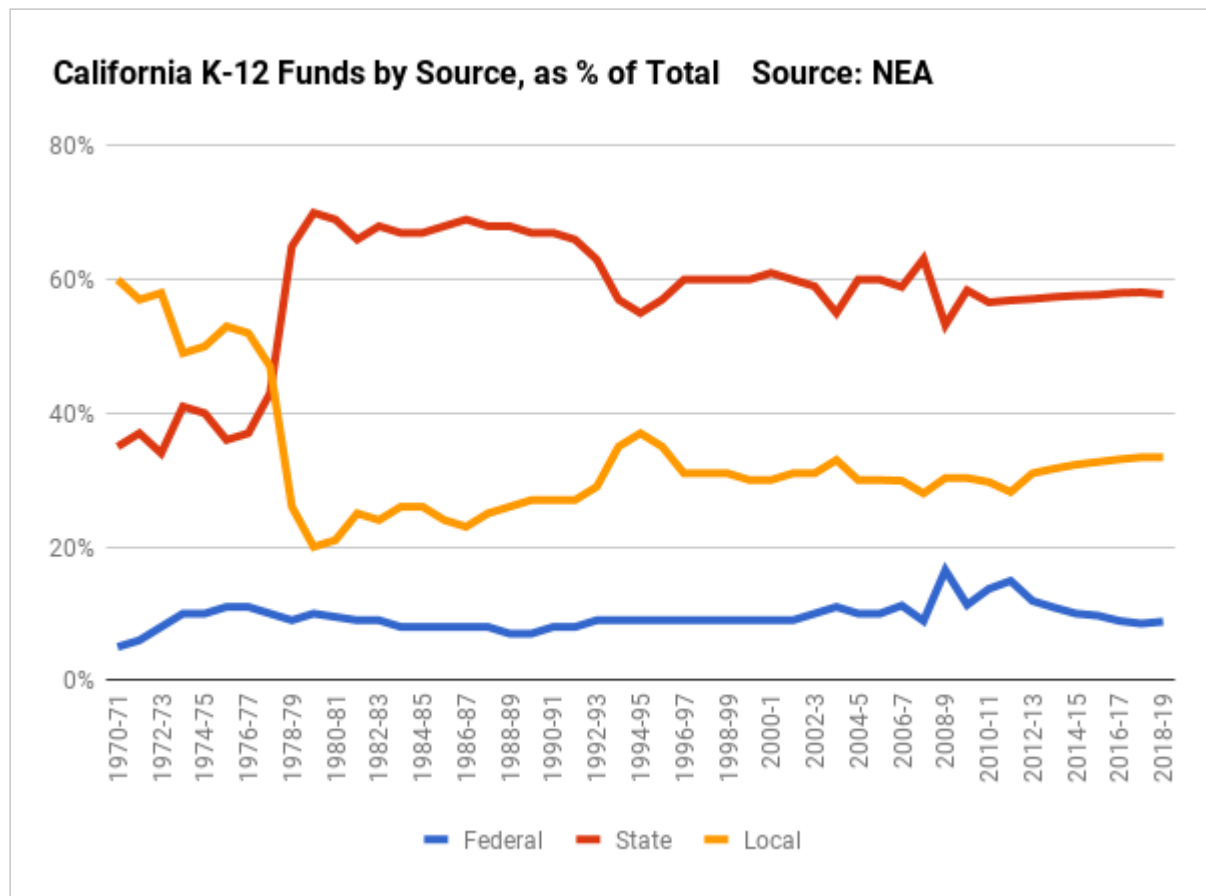
To recap:

- Property taxes are *not* the main source of funding for California schools, despite what people think. The biggest source is personal income taxes, especially on the state's wealthiest taxpayers.
- Communities in California have very limited options for raising [local revenue](#) for schools. Other states differ in this way.
- The amount per pupil your district gets is mostly driven by the rules of the [Local Control Funding Formula \(LCFF\)](#).
- The Lottery raises about one percent of the state's education funds. California voters created the lottery in 1984. It was promoted as a pain-free answer to the state's education funding woes.

How did California end up with this approach to funding K-12 education?

The Courts and Voters Put the State In Charge

The source of funds for schools in California changed dramatically in the late 1970s. ([chart data](#))



Until the late 1970's, schools in California were predominantly funded by local property taxes, as in most other states. The most basic function of a school board was to set the local property tax rate. Rates varied among districts, and receipts varied according to both the tax rate and the "assessed" (taxable) value of homes and commercial properties being taxed. Assessing the taxable value of property was an important function of county assessors.

This arrangement was great for property-rich districts, but rotten for communities with low assessed values and lots of students. Those communities had to set very high property tax rates in order to provide schools with as much money per student as their more fortunate counterparts. The [Serrano v. Priest](#) case successfully challenged this arrangement. Is it really fair, the case asked, that some districts can tax

This arrangement was great for property-rich districts, but rotten for communities with low assessed values and lots of students.

themselves at a lower level and still enjoy more funding per student than others? After all, kids have no say in the wealth of their parents. The case led to court-mandated "revenue limits," which were meant to equalize funding per student at the district level over time.

The Serrano decision increased the state's role in determining public school funding. Voters continued this trend by passing Proposition 13 in 1978. Among other things, this constitutional amendment set a statewide limit on the property tax rate at 1% of assessed value. This caused an immediate and dramatic drop in the amount of local property tax available to support schools. The state legislature stepped in, using a budget surplus to protect schools from what would have otherwise been massive cuts. In doing so, over a period of years the state gained nearly full power over education funding. The state legislature and governor determine what portion of the budget would go to the education system, and how that portion would be distributed to local school districts. As the state became the center of power, school boards, once powerful and independent, were left with the narrower job of playing the hand dealt to them by fate and the state.

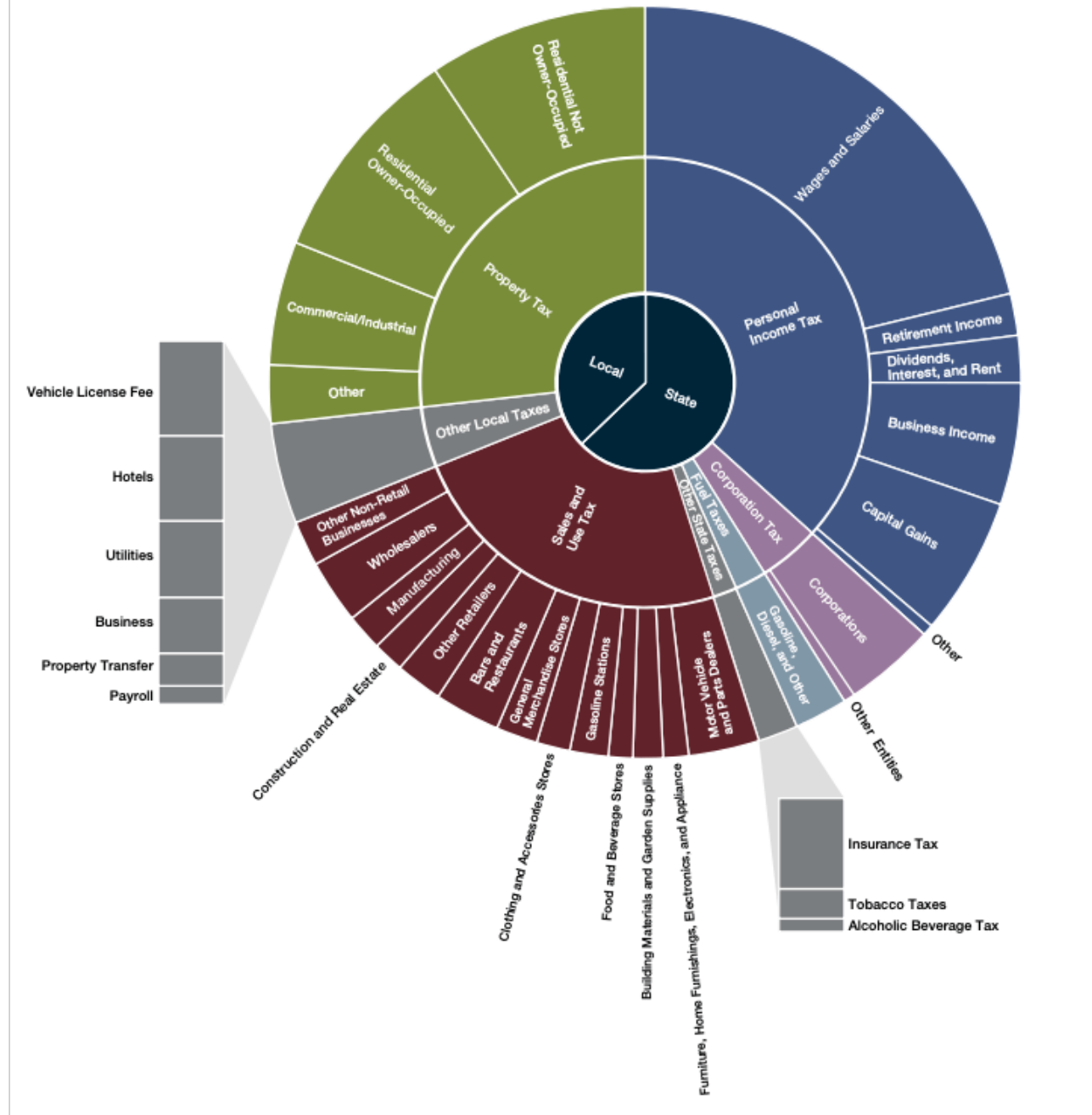
Another provision of Proposition 13 insulated property owners from higher taxes by freezing assessed values, allowing them to rise at a maximum annual rate of 2% regardless of market conditions. (For more on Proposition 13, see [Lesson 8.4](#).)

California's Three-Part Tax System

California's overall tax system consists of three roughly equal parts: Personal Income Tax, Property Tax, and Sales and Use taxes. Education is funded by a mix of these sources, especially income taxes and property taxes. The Legislative Analyst Office (LAO) produced a high-level [summary of California's tax system](#) in 2018, well worth examining. (Click the image to visit the LAO report and learn a lot more about how public finance works in this state. The graphic is on page 3.)

OVERVIEW OF CALIFORNIA'S TAX SYSTEM

2015-16



The Politics Shifted Along with Funding Control

Public schools in California are often referred to as "local" schools, but in many ways it is more accurate to think of them as state schools. As discussed in Lesson 7.1, it is the state that bears the [constitutional responsibility](#) for public education, not school districts.

School boards lost control over property taxes with passage of Proposition 13. As property taxes became less and less central to the funding of schools, state authority over education policy increased.

Nowadays virtually all school districts in California rely on state funding, but there are some exceptions. Some districts generate (and therefore receive) more property tax than others, and in rare cases local tax receipts are sufficient to fund a district beyond the state-guaranteed minimum level. Today, [about 100](#) of California's nearly 1,000 districts can fund their schools above this minimum level on the basis of their local revenues, without state assistance. In California education jargon, these are known as "community funded" or (more commonly) "basic aid" districts. For more on these districts, see Lesson 8.5.

Until 2013-14, the rules apportioned funds to districts based on a system of "revenue limits." If you have a masochistic interest in the grim details of California's historical school finance laws, [knock yourself out](#). If not, better to spend your time understanding the Local Control Funding Formula (LCFF), a simpler and fairer system established to replace the scary old plumbing of revenue limits and categorical funds. [We will examine LCFF in Lesson 8.5](#).

California's skimpy funding for schools today is arguably the long-term outcome of the shift from a locally-dominated funding system to a state-dominated one. Funding for schools in 1970 required an expression of local political will in the form of a vote of the locally elected school board or a local ballot measure. Taxpayers in each community had to reach agreement to shoulder taxes on behalf of the children in their own local school district. Though politically difficult, districts could change property tax rates in response to school needs, local changes in property values, or local tolerance for taxes.

California's skimpy funding for schools today is arguably the long-term outcome of the shift from a locally-dominated funding system to a state-dominated funding system... The old system was inequitable, but it was certainly better at raising money in total.

Local Schools, Centralized Funding

Today, the responsibility for funding schools falls mostly on the state. Changes in school funding largely depend on statewide political support for increasing taxes to add resources for all schools. That kind of support has proven difficult to win. Developing the necessary

political will to pass a tax measure is hard even in a small town; in a state as large as California it is very hard indeed. The old system was unacceptably inequitable, but it was certainly better at raising money in total.

Over the long term, the rising costs of college-educated workers, including teachers, have put continued pressure on the state budget to cover K-12 funding. And that has thrown school funding into the middle of the political process in Sacramento. Concerns about inadequate school funding started almost immediately after Proposition 13 was passed.

Dependence on Income Taxes Creates Volatility

As discussed above, Proposition 13 triggered a big switch in the source of funding for public education from property taxes to income taxes. This shift brought a new challenge to California school budgeting: volatility.

Property values (and therefore property tax receipts) vary with the economic cycle, but they don't tend to change massively. Income taxes, however, are significantly exposed to the booms and busts of the stock market. The top 1% of income earners in California generate around 40% of the state's income taxes, and their fortunes can change a lot from year to year.

To smooth out some of the effects of the high volatility in state revenues, California voters passed [Proposition 2](#) in 2014, which requires the state to spend a minimum amount each year to pay down its debts. The proposition also changed the rules for the state's [rainy-day fund](#), an amount the state puts into a budget reserve to protect against years when revenues fall.

Keeping reserves is politically difficult. There are always real needs and worthy investments — and if a district builds significant savings it carries the risk of becoming a lucrative target for a lawsuit. When the state rainy-day fund proposition passed, legislators negotiated a law that significantly prevented school districts from building up their own reserves. The LAO [agreed](#) with critics of this law, mostly school district officials, who argued that the lack of local reserves created unacceptable risks for districts in a downturn. The law was modified in 2017.

For people interested in funding for their local schools, the most important thing to know about California's system is that it can be terribly fickle. Education is an important priority, but not the only one. Especially in a stock market swoon, funding for schools cannot be assumed safe.

Beginning in Lesson 8.5, this chapter explains the allocation process, including how the state decides the amount each school district receives under the rules of the “Local Control Funding Formula.”

Updated August 2017.

Updated October 2017.

Updated July 2018.

Updated May 2019.

Updated November 2019

Lesson 8.4

Prop 13 and Prop 98: Then and Now

Prop 13 had another, less intended effect...



Thanks to California's initiative process, the state's voters often have a direct say in important issues. Few voter actions have affected public education more than two such initiatives, Proposition 13 and Proposition 98.

Proposition 13

California's voters passed Proposition 13 in 1978, a time of enormous upheaval. The economy of the mid-'70's was reeling from a [sudden increase in world oil prices](#) driven by the creation of the OPEC oil cartel. America's economy had tipped into "stagflation," a combination of slow growth and rising prices. California home prices had climbed to levels

In This Lesson

What was the Serrano v. Priest case?

Is Proposition 13 popular today?

Is Proposition 13 still in effect?

Prop 13 explained

What is Prop 98?

What is the Prop 98 guarantee?

What is the Prop 98 maintenance factor?

never seen before. Homeowners, grappling with big increases in their property taxes driven by these higher prices, were frustrated and worried. Some found themselves "house rich" but unable to pay rising property tax bills.

What is Prop 98 funding?

What did California Proposition 30 do?

What funds are not in Prop 98?

★ Discussion Guide

Meanwhile, the laws governing local school districts were in a state of flux. Schools in California at the time were funded by local property taxes, levied as a percentage of each property's assessed market value at rates set by local school boards. In the landmark *Serrano v. Priest* case, the California Supreme Court ruled that this system violated the state constitution because differences in taxable wealth from one school community to another generated gross inequities in funding per student. As a remedy, the Court imposed a system of local "[revenue limits](#)" based on local funding levels in 1972. This change was meant to equalize funding over time, including by redistributing local tax receipts that exceeded the limits. Understandably, this Robin Hood-like approach faced criticism and may have been [a factor](#) in the passage of Prop 13.

*Proposition 13 /
centralized the budgets /
and left the schools
searching /
for stray budget nuggets*

During the decade of the 1970s, the context for education finance was changing dramatically. Collective bargaining for teachers in California became mandatory through passage of the [Rodda Act](#) in 1975 with the support of a new Governor, Jerry Brown. Teacher pay rose with inflation, union power, a changing labor market that offered new professional options for

educated women, and the radical idea of equal pay for equal work. School boards, trying to keep up with these forces and avoid strikes, began to find loopholes and levy new taxes that could not be redistributed.

The authors of Proposition 13 pitched it as a "taxpayers' revolt." Passed by a huge margin (64.8%), this popular initiative stripped local school boards and other entities of their authority to levy taxes. It dramatically lowered property taxes to a uniform 1% of assessed value, slammed the door on known loopholes, and presented existing homeowners with a nearly irresistible temptation: a permanent tax break. At the time, inflation was increasing prices at a rate of six or seven percent annually. Under Prop 13, the taxable "assessed" value of a home is allowed to grow at only 2% per year unless sold.

To prevent the state government from shifting to new taxes, the 1978 [Gann limit](#) caps the amount that the state may legally spend. Each year, the legislative analyst office (LAO) calculates the amount of "room" in the budget before the Gann Limit maximum is reached. There have only been a few years when this was an issue, but it's worth knowing about -- if only as an example of the density of the legal thicket that surrounds California's education budget. This stuff is seriously complicated.

The property owners of 1978 received a major economic windfall from Prop 13. Over time, the market value of properties in California detached from the assessed value, frozen under Proposition 13. In general, the tax advantage is larger for higher-value property than for lower-value property. Trulia, a real estate consultancy, has estimated the size of the difference for each city in the state (click chart to open a new page with an interactive tool to find your district).



New Power in Sacramento

With a single vote, Proposition 13 flipped the local and state roles in funding schools.

Sacramento suddenly became the center of the universe when it came to school funding in California. In most districts, taxes at 1% of assessed value were not enough to cover the revenue limit requirements set in the *Serrano* settlement. State appropriations filled in some of the lost funds. California quickly became a state with [low property taxes and high state income taxes](#).

These changes were the starting point for a [long decline](#) in California's investment in public education relative to its history, its economy, and relative to other states and nations. The effect on schools became more and more obvious, much to the dismay of many of the state's educators and parents. For graphs, see [Lesson 8.1](#).

Proposition 98

By 1988, many Californians had become alarmed at the state of their public schools. School construction had failed to keep pace with growth in the state's population, and existing schools were looking crowded and shabby. (See [lesson 5.9](#) for more about facilities.) Class sizes were trending upward, and schools found themselves continuously making difficult cuts. With Prop 13, voters had made Sacramento responsible for education funding - but Sacramento had other priorities. Education shrank as a percentage of the state budget even as the needs of the system were rising.

Proposition 98 gave voters an instrument to force the issue. This ballot measure, passed by a [narrow margin](#), did not add new revenues to the budget. Rather, it amended the constitution to require that a larger and more consistent fraction of the state budget be spent on education, specifically on K-12 education and community colleges (a.k.a K-14 education).

Of course, that's a massive oversimplification. Here's a slightly less simple one. The [portion of the budget](#) that should go toward K-14 education under Proposition 98 is:

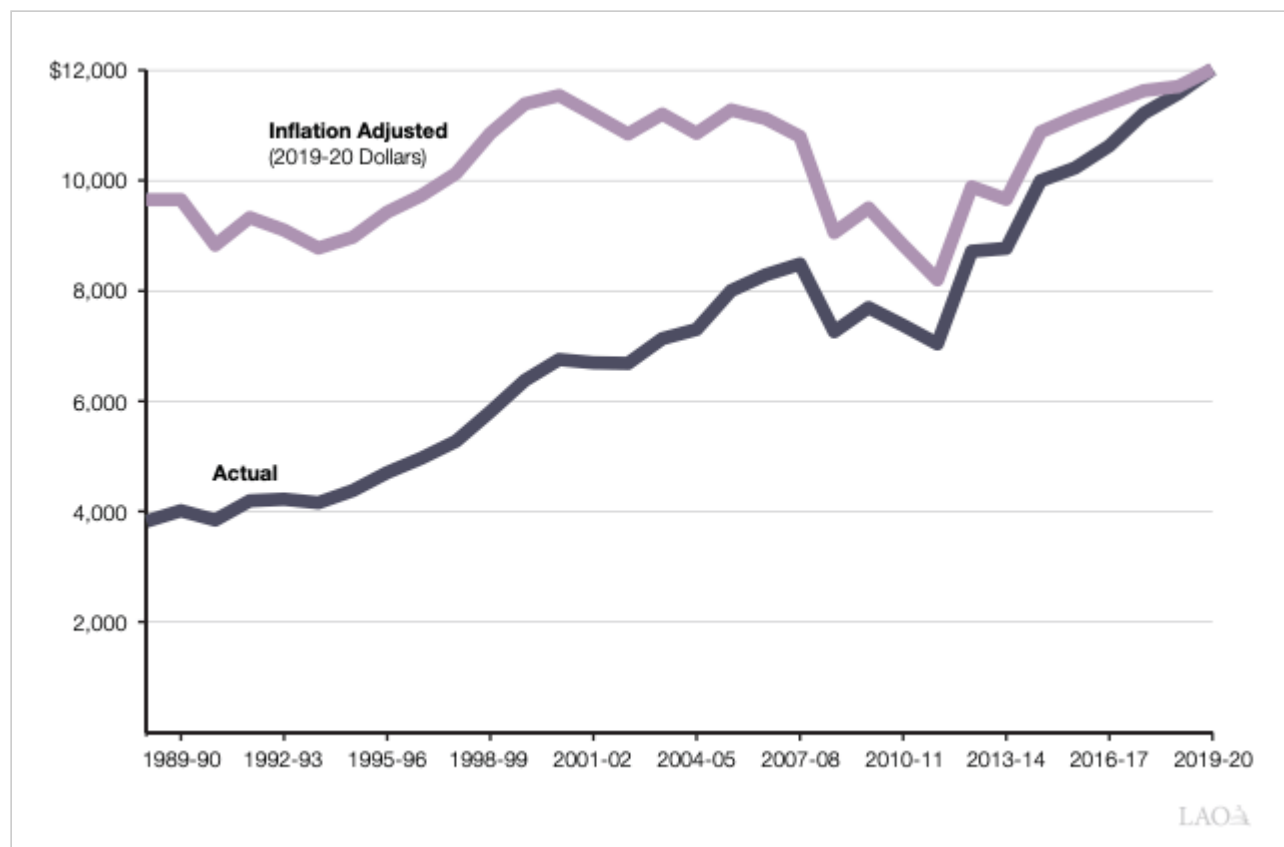
- a set share of the state's General Fund (about 40%) OR at least the same amount as the previous year, adjusted for growth in student population and changes in personal income (whichever is larger), but
- when the state's revenue growth is low, education will take its "fair share" of the reduction, with the understanding that amount is to be restored when state revenues rebound; and
- the Legislature, with a two-thirds vote, can suspend the funding requirement under Proposition 98 in any single year.

Calculating the precise Prop 98 guarantee each year is complicated, and the stakes are high. Most education-related expenses are considered part of the Proposition 98 budget, but not all of them. For example, funds for after-school programs are not counted as part of Proposition 98. Every year, a cottage industry of lawyers, consultants and advocates earns a living debating and explaining the interpretation of Proposition 98.

The process consumes a great deal of energy in the annual budget process. For a summary of the sequence of legislation that led to Prop 98, [this paper by Virginia Alvarez](#) is hard to beat.

It is unfortunate that Proposition 98 has caused California’s leaders to fight budget battles on the grounds of legal details rather than on the real needs of students. (Kevin Gordon, a California policy consultant and expert on Prop 98, has even been heard to wonder aloud whether Prop98 has done [more harm than good](#).) On the other hand, having a rule in place does support the idea that the conversation should involve real numbers. For example, in the Great Recession the Legislature had to use a wide range of accounting "solutions" to divert funds from education. By 2011, the cumulative shortfall (or “maintenance factor”) gap between the real budget for education and the unachieved Prop 98 “guarantee” exceeded \$12 billion, roughly \$2,000 per student.

The imperative for the state to restore education funds to the level guaranteed by Prop 98 helped convince voters to temporarily raise taxes in 2012. Governor Jerry Brown put Proposition 30 on the ballot asking for an increase of about \$6 billion in income and sales taxes to supplement the state’s general fund. With the income taxes about to expire in 2018, voters approved [Proposition 55](#), which extended the income tax on high earners through 2030.



Education funding in California shriveled during the Great Recession. It took seven years for funding per student to return to pre-recession levels, adjusted for inflation. Since then, education funding has grown significantly, but not more than by the minimum required by Prop 98. As many observers have pointed out, the guarantee can serve as a floor, but also as a ceiling.

Updated February 2018, March 2019, February 2020

Lesson 8.5

Local Control Funding Formula: LCFF Dictates How State Funds Flow to School Districts

Here's how LCFF works. The short version.



In politics and government, the golden rule gets a new spin:

*“He who has the gold
makes the rules.”*

Not so long ago, California's education finance system was very centralized. Sacramento controlled the money, and doled it out to school districts with quite specific instructions about how it could legally be used. Today, however, most of

In This Lesson

What is the Local Control Funding Formula (LCFF)?

How is LCFF funding calculated?

Which student characteristics count in LCFF?

What is LCFF supplemental funding?

What is the LCFF concentration factor?

Is LCFF fair? Is it equitable?

Are LCFF funds restricted?

Are Special Education funds part of LCFF?

the spending decisions in California's education system are made in school districts.

(Technically, the

state *apportions* funds to "Local Education Agencies", a term that includes districts, county offices of education and charter schools. Insiders call them LEAs.)

Which education funds are not part of LCFF in California?

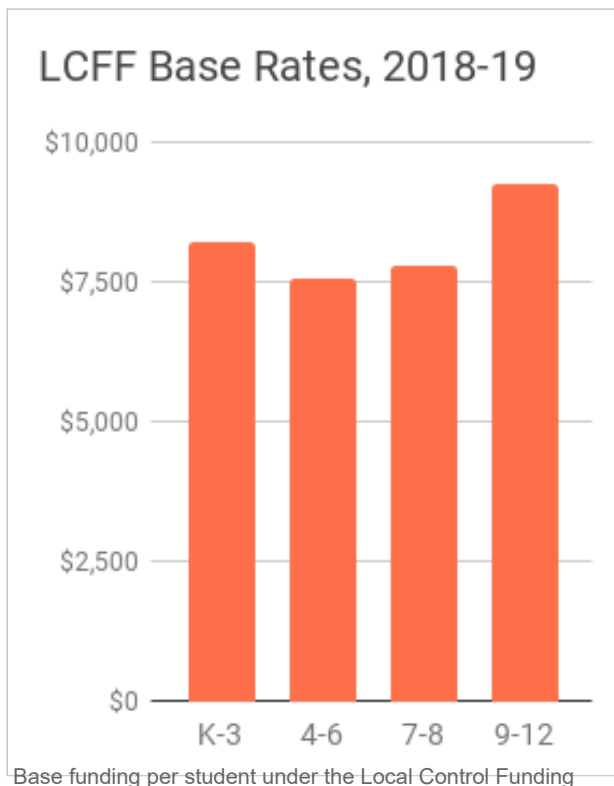
★ Discussion Guide

LCFF Provides Funds Based on Student Characteristics

Prior to 2013, California had an almost impossibly complex system for allocating funds to school districts. Developed without consistent principles over many years, it was loaded with inconsistencies and special arrangements. That system was erased when California lawmakers created the *Local Control Funding Formula* (LCFF), a much simpler and fairer set of rules.

The big idea of LCFF is that school districts and charter schools with "higher need" students get more money to invest in those students. Here is how it works:

1. All districts receive a "base grant" for each student. The base grant is larger for grades 9-12 than for other grade levels.



2. Districts receive 20% additional “Supplemental Funding” per student for students with higher needs — children Learning English, in poverty, and/or in foster care.
3. Districts with large concentrations of students with these identified needs get additional money. If more than 55% of children in the district are in poverty, in foster care, or learning English, the district receives an extra 50% of the base grant for each student beyond the 55% threshold. This is called “Concentration Funding”. (For example, a district with 60% high need students receives 150% of base funding for 5% of its students.)

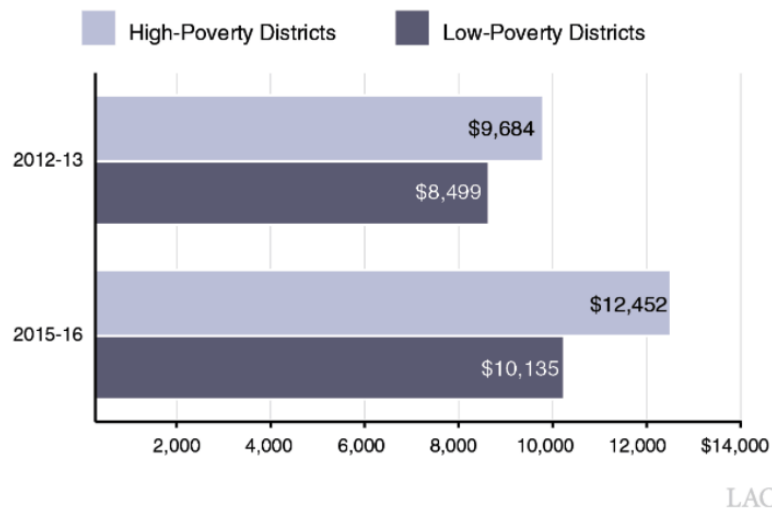
Local Control Funding Formula Per-Student Rates			
<i>Under 2018-19 Governor’s Budget</i>			
Grade Span	Base	Supplemental^a	Concentration^b
K-3	\$8,141	\$1,628	\$4,070
4-6	7,484	1,497	3,742
7-8	7,707	1,541	3,854
9-12	9,163	1,833	4,581
^a Equals 20 percent of the base rate. Generated for each student who is a foster youth, English learner, or low income (EL/LI). ^b Equals 50 percent of the base rate. When EL/LI students comprise more than 55 percent of total district enrollment, generated for each EL/LI student above that threshold.			

Source: [California Legislative Analyst \(LAO\)](#)

The end result is that districts receive very different levels of funding based on how many English language learners, children in poverty and children in foster care they have.

High-Poverty Districts Spend Notably More Than Low-Poverty Districts

Total Expenditures Per Student, 2015-16 Dollars



In the old system, funds were apportioned with strong restrictions on how they could be used. Under LCFF, those restrictions are gone: the use of funds is substantially left to school districts, subject to the intent of the LCFF law. This was a big change. Now it is school districts that hold the gold, and make the rules.

There can be a big difference between intent and reality. Are districts actually following through on the intent of LCFF by investing more money in higher-need students? It's hard to know. The districts hold the gold, make the rules, and conduct their own accounting. The

Now it is school districts that hold the gold, and make the rules.

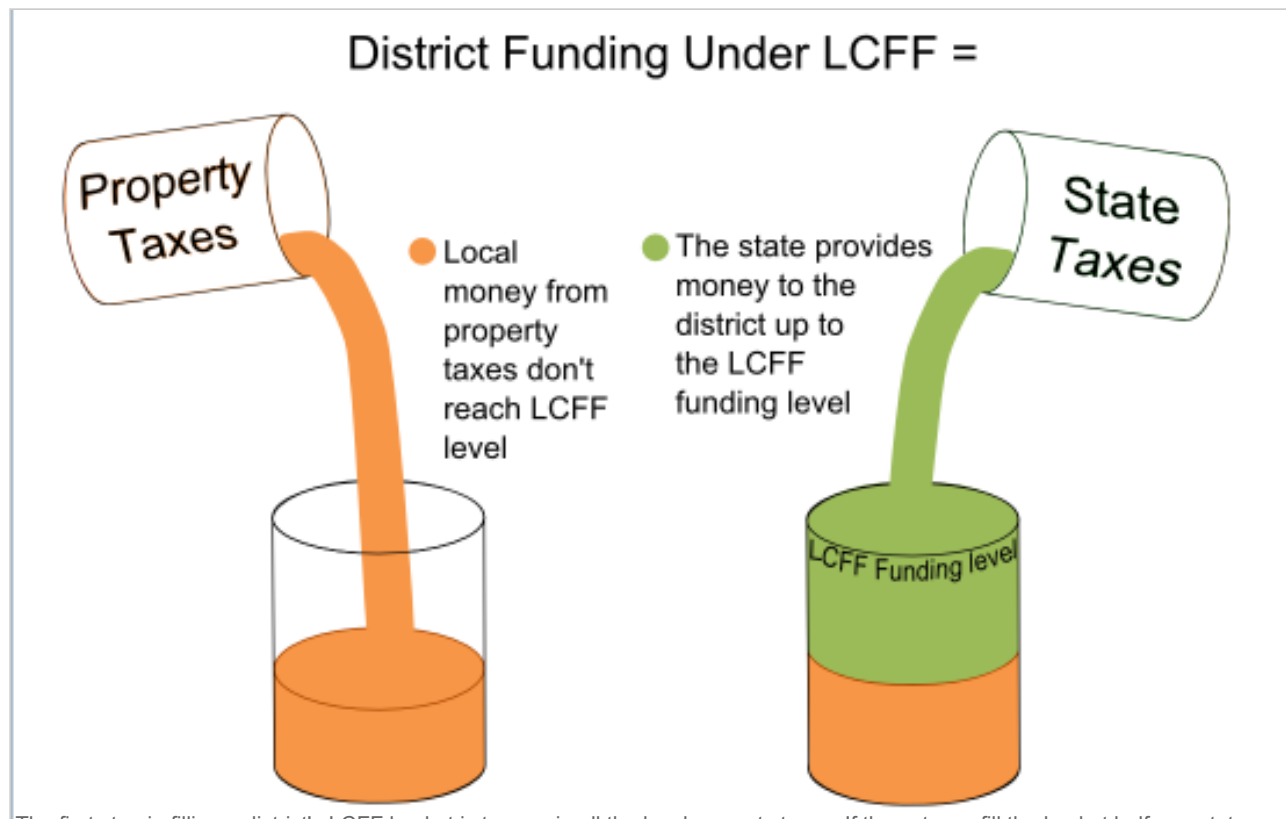
Local Control Accountability Plan (LCAP) is intended to provide information about the actual use of LCFF funds, but the accounting detail in the LCAP is minimal. In practice, it is up to community leaders to enforce the intent of the law.

Nonprofit law firms and advocacy groups like Public Advocates and the ACLU have begun playing this critical role, bringing cases against districts that use LCFF targeted funds in untargeted ways. These cases are difficult. Standard public reports don't necessarily show where school district money is spent. Organizations have had to use Freedom of Information Act requests and the [threat of litigation](#) to obtain the detailed information required. In 2017 Los Angeles Unified [settled](#) such a case (Community Coalition v. LAUSD) for \$150 million.

All LCFF funds are technically “unrestricted,” which means school districts have discretion over how they are used. However, as explained in [Lesson 7.8](#), there are also new accountability rules that apply. An important element of the Local Control Funding Formula is that school districts must engage parents and community to create a Local Control and Accountability Plan (LCAP). See [Lesson 7.10](#) and [What's an LCAP?](#) for more information on how spending decisions are made.

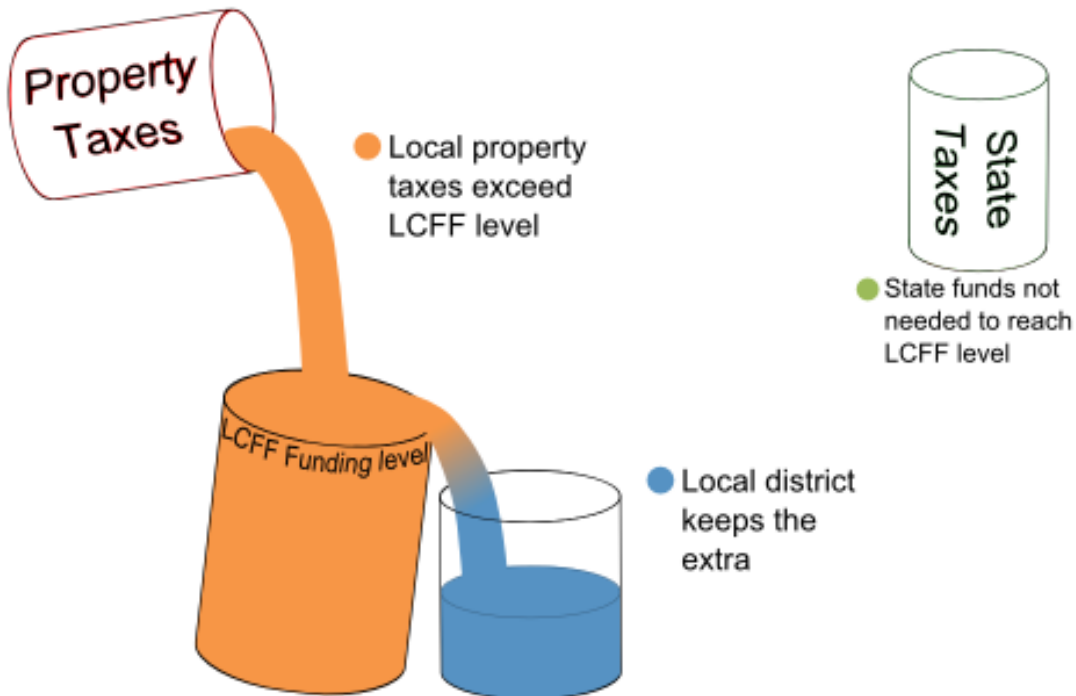
The Exceptions to LCFF

The transition to the LCFF system was unexpectedly rapid. Originally forecast to take seven years, the job was essentially done in three due to strong growth in California's tax receipts. <http://fairshare4kids.org/> is a good site to see if your district is among the rare exceptions. EdSource also keeps a [list of Basic Aid districts](#).



The first step in filling a district's LCFF bucket is to pour in all the local property taxes. If those taxes fill the bucket halfway, state money is used to fill the other half of the bucket. If property taxes fill the bucket two-thirds of the way, state money fills the other third.

"Basic Aid" District Funding

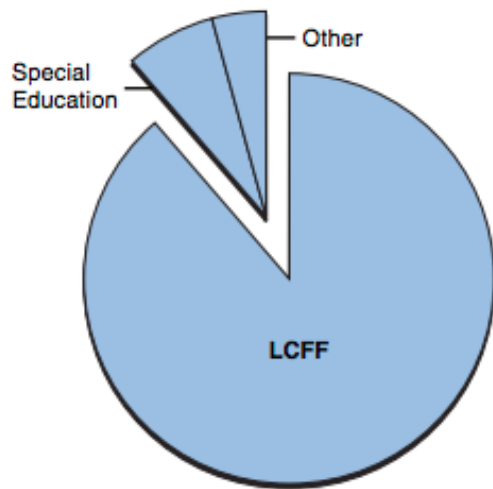


In perhaps as many as 100 school districts in California, the property taxes will fill or overflow the LCFF Funding Bucket. In those cases, the districts keep all their property taxes and get no LCFF money from the state. These are known as "Basic Aid" or "Excess Tax" districts.

Some State Funds Are Outside of LCFF

There are several programs outside of LCFF for which a given district or charter school might be eligible. Together they represent more than 10% of the state funds that go to K-12 education. These funds come with strings attached. If a district does not run a particular program or have eligible students, it generally won't receive the funds.

Most K-12 Funding Provided Through Student-Based Formula



Source: [LAO Cal Facts card 34](#)

The largest of these programs is [Special Education](#), which has its own set of allocation rules and also requires the district to spend funds from its base allocation (see [Lesson 8.6](#)). Other programs include the Quality Education Improvement Act, the state's after school program, home-to-school transportation, and child nutrition (e.g. school lunches).

Lottery funds of about \$150 per student are also outside of the LCFF funding formula, but they are uniformly distributed. In any given year the state may also provide some one-time monies for specific purposes.

A few districts continue to receive small amounts of funding through state [grant programs](#), but these exceptions are small.

In addition, the federal government largely delegates to the state department of education the task of disbursing federal funding. Most of those funds are for specific programs as largely explained in [Lesson 7.2](#).

Is LCFF Working?

In 2018 a major research project known as Getting Down to Facts II ([GDTFII](#)) examined a big, important question: How is LCFF working? The short answer is encouraging. According to the researchers, "The data provide initial evidence that money targeted to districts with the greatest student needs has led to improvements in student outcomes."

One of the associated studies, provocatively titled [Money and Freedom](#), found that additional funds apportioned through LCFF were put to work in ways that made a distinct, measurable difference:

We find that LCFF-induced increases in school spending led to significant increases in high school graduation rates and academic achievement, particularly among poor and minority students. A \$1,000 increase in district per-pupil spending experienced in grades 10-12 leads to a 5.9 percentage-point increase in high school graduation rates on average among all children, with similar effects by race and poverty. On average among poor children, a \$1,000 increase in district per-pupil spending experienced in 8th through 11th grades leads to a 0.19 standard deviation increase in math test scores, and a 0.08 standard-deviation increase in reading test scores in 11th grade. These improvements in high school academic achievement closely track the timing of LCFF implementation, school-age years of exposure and the amount of district specific LCFF-induced spending increase. In sum, the evidence suggests that money targeted to students' needs can make a significant difference in student outcomes and can narrow achievement gaps.

The studies suggest considerable support for the funding formula's [basic design](#), which directs more funding to districts where needs are greater. For example, one study for the GDTFII project surveyed [Chief Business Officers](#), who oversee the deployment of funds in school districts. These officers generally expressed support and confidence for the changes brought about by LCFF, even in districts that did not get additional funds from the policy.

Of course there is still plenty of room for improvement, according to the research. In particular, the report finds weakness in the central idea of local control through the reporting and public discussion system known as the Local Control Accountability Plan (LCAP). We examine the LCAP in [Lesson 7.10](#).

Updated August, 2017 with new LCFF budget data.

Updated April, 2017 and September, 2017 to include litigation to enforce equity in use of LCFF funds.

Updated April, 2018 to reflect budget changes.

Updated Nov, 2018 to incorporate GDTFII research.

Lesson 8.6

Allocations: Categoricals and Other Exceptions to the Rules

Yep, there are always exceptions.



In the previous lesson we looked at California's new school funding system, particularly the [Local Control Funding Formula \(LCFF\)](#). LCFF is important. It represents the "foundational" funding for school operations and, well, it is a lot of money. That said, there are billions more in state and [federal](#) funds that support public education in California but whose distribution is determined by different rules. We cover a few examples in this lesson.

Special Education

Federal law requires schools to provide "specially defined instruction, and related services...to meet the unique needs of a child with a disability." Approximately 10% of California students are identified for Special Education services. Most of these students require services that cost only modestly more than a normal program, but a few need intensive interventions that cost far more. The average cost of education for special ed students is more than double the norm.

In This Lesson

- What are the exceptions to LCFF?
- How are special education funds allocated?
- How are school facilities funded?
- Are there secret funds for schools?

★ Discussion Guide

California’s Legislative Analyst’s Office, in its [2013 Special Ed Primer](#) estimated that Special Education expenditures totaled \$8.6 billion in 2010-11 and came from the following sources:

- 43% from state Special Education categorical funds,
- 39% from local school district general purpose funds, and
- 18% from federal Special Education categorical funds.

The state disburses the categorical funds for Special Education using primarily a “census–based” method that allocates money to local consortia of schools and districts based on their total student population. The consortia, called Special Education Local Planning

Federal funds cover about a fifth of the cost of Special Education

Areas or [SELPA](#)s, develop local plans for allocating the funds to their charter schools and districts. The actual per-pupil amounts for each SELPA vary based on historical factors.

Clearly, the earmarked state and federal funding does not cover the full cost of [Special Education](#) services. Local school districts use their general purpose funding to make up the difference, effectively reducing the amount they have for their basic programs.

Special Education funding is a lightning rod for complaints. Local districts say it costs them too much. Parents and teachers worry that students don’t get the services they should. And policymakers struggle to even make sense of how the system works. The LCFF reform specifically excluded Special Education funding, leaving improvement of that part of the school funding system for another time.

Facility funds

With over 6 million school children and tens of thousands of buildings, facility costs are a substantial and ongoing expense that school district and state officials must plan for.

The money California uses to build and renovate school buildings is completely separate from the operating funds described in the state’s annual budget. Like homeowners, both state and local officials usually look to long-term financing for these major capital expenditures. Instead of getting a mortgage from a bank, public entities finance these expenditures through bonds that they promise to repay, with interest, from future tax proceeds.

When local school districts want to pass a bond, they have to get the voters in their community to agree to pay more taxes, thus guaranteeing the bond will be repaid. In most cases, such elections require a 55% yes vote. (See [Lesson 5.9](#) for more about the rules surrounding local bond elections.) State bonds require a simple majority approval from voters and do not require the state to raise taxes. Together, state and local bonds generated about \$66 billion for school facilities between 1998 and 2010.

Special programs and partnerships

Both the state and federal governments from time to time provide financial incentives to encourage K-12 schools to take actions or participate in programs. In general, the number and scope of these exceptions has declined dramatically over time

For example, as part of the fiscal stimulus measures enacted under the Obama administration, the federal government created the [Investing in Innovation Fund](#), better known as the i3 grants. These awards provided temporary funding to local education agencies and community-based organizations to test new ideas and demonstrate the value of new practices.

California officials perhaps took a page from the federal book when they set aside \$250 million to encourage innovation in the area of career-technical education by creating the "[California Career Pathways Trust](#)." The program awarded grants to schools and community colleges to work in partnership with local business to create new technical programs and curriculum. The [Low Performing Schools](#) block grant directed \$300 million to schools with low results, subject to an application process and some reporting, with the first wave of reports due in early 2019.

Over time, additional program exceptions seem almost certain to be added, partly because these programs are usually separated from the Proposition 98 budget. If the state budget has a bad year, it is somewhat easier to cut these programs than it is to cut core funding. [This page on the Department of Education website](#) appears to be a good source for information about exceptions to the Local Control Funding Formula.

Of course none of these funds and programs are meaningful unless they ultimately benefit students, right? The next lesson examines how little we know about how funds are actually used.

Updated August 2017. Updated February 2019.

Lesson 8.7

Allocations: Districts Control How Money Gets to the Classroom

If a school budget falls and no one notices, does it make a sound?



Does your school district office seem powerful? It might be because they are the ones cutting the checks.

The responsibility for managing and disbursing funds for everything from paychecks to school supplies lies in the hands of the school district. (Well, technically, money flows through "Local

In This Lesson

- How do school budgets work?
- What school budget deadlines are important?
- How are class sizes set?
- What is a school site budget?
- How can I find my district's budget?
- What is a School Accountability Report Card (SARC)?
- Where is the SARC for my school?

Education Agencies" (LEAs), but most LEAs are school districts.

Charter schools and

county offices of education also fall into the "LEA" category. So now you know.)

What is the difference between average costs and actual costs?

★ Discussion Guide

The District Budget Process

As explained in Lesson 8.3, California school districts depend on the state for most of their annual revenues. The state budget determines the amount of money that will be allocated toward education. That amount is apportioned to school districts through the Local Control Funding Formula (LCFF) described in Lesson 8.5. State leaders have until June 30 each year to decide on a state budget.

Funny thing about that June 30 deadline. By law, school districts also have to adopt a final budget at the end of June for their coming school and fiscal year, which starts the next day, on July 1. If it seems like school district leaders are obsessively reading tea leaves in June, it's because they are. District officials use informed estimates and assumptions to create their annual budgets. The planning typically starts in earnest by January, but [budget planning and management](#) are year-round concerns in most school districts. The [budgeting process for charter schools](#) is somewhat different, because charter schools must budget for facilities costs.

Districts differ in their approach to public input about the budget. Some districts try to keep the information quiet. Others do all they can to present the information clearly and let the public know when feedback will be most helpful. Common to all districts is the legal obligation to present budget information at public school board meetings. The parent leaders who really understand their school district budgets are generally those who make a point of attending board meetings regularly and who aren't shy about asking for clarification from district business officials or the superintendent's office when necessary.

Who Controls the Money?

School districts, in turn, manage local schools. In the majority of California districts, the central office makes the big decisions about how schools and classrooms will operate, including a great deal about how they use resources. That can include everything from the school calendar to the number of students per classroom to where to purchase supplies to how many custodians are needed.

Good Intentions

*Districts get money for kids who are poor /
or speak only limited English. /
But does that money carry through /
after the budget is finished?*

Most California schools have a site budget. The school principal controls it, often with the help of a site council or similar group that includes parents and school staff. Site budgets usually cover only non-staff costs because staffing decisions are made by the district.

Getting Real About Salary Expenses

In the 2018-19 school year, for the first time California school districts were required to account for the money actually spent in each school. It may seem odd, but prior to that year both federal and state law permitted school districts to avoid school-based accounting. Most California school districts avoided disclosing differences in actual school-level spending by using district-wide average salary costs — effectively pretending that all teachers were paid the same. They aren't. In many districts the least experienced (and least expensive) teachers tend to work in the schools with the highest levels of poverty.

Under ESSA, the Federal education law updated at the end of the Obama administration, school districts are obligated to disclose actual expenditures at the individual school level. This was an essential change, especially in the context of the Local Control Funding Formula, which directs additional resources to school districts with high levels of poverty or high concentrations of English Learners.

This change took many years to accomplish. In 2006, The Education Trust-West pursued a groundbreaking analysis of the effect of teacher seniority on the distribution of actual resources in schools. The findings of its original study, The Hidden Gap, highlighted the likelihood that high-poverty schools are disproportionately staffed with inexperienced teachers.

*Beginning in 2018-19,
California districts are
required to disclose
actual staff costs at the
site level.*

This analysis drove some interest in transparency. Districts were required to include actual salary costs in their School Accountability Report Cards (SARC), a public document that is required for each school each year. Many districts ignored the requirement, reporting every school as having the average teacher salary. Data from SARCs are not systematically collected or summarized in a manner that permits analysis.

The changes in accounting required by ESSA harmonize well with the intent of California's Local Control Funding Formula (LCFF): direct more funds toward the education of students with greater needs. However, California has been slow to implement policies for school-level transparency.

The implementation of LCFF was a major subject of study in the 2018 Getting Down to Facts II ([GDTFII](#)) project. Policies related to school-level transparency about actual education spending have faced potent [opposition](#), including from former Governor Jerry Brown. If enforced, ESSA-compliant school site accounting should make inequality in school-level spending easier to detect and remedy, but it might also make budgeting even more difficult than it already is.

School Budgets

Most of the time, school-related spending is actually carried out by the school district. However, many districts have at least experimented with giving school principals increased control over spending decisions. Site-based budgeting is not as easy as it might sound, though. Most schools are larger than a small business, and school districts are [big organizations](#). Not all principals are equally good at budgeting, or for that matter at spending. Finding a practical and effective balance between school-based insights, multi-school programs and district-level fiscal control is tough work. In 2018 GDTFII examined the critical role of [operations](#) in school districts. It requires good processes, effective accounting and strong communication.

Updated August 2017, November 2018

Lesson 8.8

Effectiveness: Is Education Money Well Spent?

Do schools waste money?



When people talk about whether education funds are "well spent", they can be using two different definitions.

One definition is that a district or charter school is fiscally responsible. California has a number of systems in place to hold school districts accountable on this score.

In This Lesson

Do schools waste money?

How does school accounting work?

Who reviews school district budgets?

What happens if a school district overspends its budget?

How to review a school budget

How do education spending and education results relate?

the system is getting an acceptable level of educational productivity - student achievement, in other words - out of the resources it spends.

Well Spent = Fiscal Responsibility

Financial mismanagement by a school district is rare, but does occur -- and it makes the news when it happens. There are about 10,000 schools in California, each of them the size of small- to medium- sized business. It's a big system, so there is always a whiff of scandal to be found someplace. When mismanagement occurs, it tends to sow doubt, and to inspire vigilance and scrutiny.

California school districts live under scrutiny. They are required to balance their budgets annually and document how they will cover their projected operating expenses. They also have to show how they intend to cover long term obligations, such as employee contracts and raises. They must use a [standardized account code structure](#) to track their revenues and expenditures, report to the state about their past and current budgets, pay for annual independent audits, and operate within a variety of other legal constraints.

The chief financial gurus for schools and districts are known as "School Business Officers", and as with every profession, a organization supports them: The California Association of School Business Officers ([CASBO](#)). In 2018 as part of the Getting Down to Facts II project, researchers interviewed a collection of these officers to collect their impressions and opinions about the [financial functioning](#) of California districts. The findings were generally very positive, particularly in contrast to a similar study eleven years earlier.

Overwhelmingly, the officers indicated that changes to the funding system (LCFF) and the accountability system (LCAP) were having a positive influence on the equitable and effective allocation of resources. The district officers also expressed a positive view of their relationship with County Offices of Education that oversee and support them.

The County Sheriffs

Since 1991, California has had a system in place to hold districts accountable for their fiscal management. First with the passage of AB 1200 and then with revisions made in 2004, the state requires County Offices of Education to review the annual budgets of each local school district. Districts must certify if they are able to meet their financial obligations for

the coming three years. County offices of education validate those self-certifications. [Interventions](#) occur when districts or county offices find that a district is not going to be able to pay its bills.

Faced with the dramatic revenue cuts that began in 2008, over [100](#) of California's school districts found themselves in financial trouble but only [two](#) ended up with the state stepping in to provide a loan and take over their financial affairs. Given the extent of the cuts, the state's safeguards proved quite effective.

This system works quite well. In the Great Recession, only two school districts were taken over by the state.

Well-Spent = Educational Productivity

Money is not magic. States and locales that increase spending don't automatically see dramatic improvement in student outcomes. Money can pay for things that help students learn more, but it can also be used to pay for things that don't.

Are you going to get better student outcomes if you pay higher teacher salaries? Your district can do that, and might make itself more attractive to great teaching candidates in the process. But higher salaries may mean trade offs, too — for example less support staff or larger class sizes. Will students do better?

There are wonderful programs and tools for learning. Should your district lay aside funds to invest in those? What extra supports will work best to improve the achievement of your district's lowest-performing students? Absent additional funding, what has to be sacrificed to bring in a new program? When funding does increase, what will improve student learning most? An extended day? A new arts program? More time devoted to professional development for teachers? These are the hard tradeoffs that school boards must make.



A fun tool for evaluating school expenditures.

Which expenditure choices will yield the best results? Answering that question is far from an exact science, and school districts often call on consulting organizations to help them think it through. For example, Education Resource Strategies provides [tools like this one](#) to support community members and district leaders as they consider the tradeoffs.

All of these questions feel particularly difficult to answer in California. As described in [Lesson 8.1](#), the state's investment in public education is so low that it almost certainly is part of the reason for California's weak test results. As discussed in [Lesson 1.2](#), weak test results are bad news partly because they predict a society's future economic health.

The next lesson explores the options Californians have for raising the level of education funding.

Updated August 2017, November 2018

Lesson 8.9

More Money for Education: What Are the Options?

School donations are great, but...



The preceding lessons explained the problems. California's funding for education is quite low. The cost of providing education here is high.

As a result, student-teacher ratios in California are unusually high, which makes it even harder to address the considerable

In This Lesson

How can my school raise more money?

Why doesn't my school have enough money?

What is an Education Foundation?

How can I support policies that would bring more money to my school?

Can we pass a property tax to fund our school?

★ Discussion Guide

needs of California's students: More children in California live in [poverty](#) than in most states; many are [learning English](#); and many have [special education needs](#).

Because education funding [depends heavily on income taxes](#) paid by the top 1% of taxpayers, it tends to boom and bust with the stock market. Polls consistently show that majorities of Californians would support taxes for schools in their own community, but California's [Proposition 13](#) makes it very difficult to pass local taxes.

Understanding the Problem

These systemic challenges are not new, and there have been many attempts to address them. They fall into four categories:

- **A Larger Slice.** Commit more of the state budget toward education
- **A Bigger Pie.** Raise taxes at the state level to provide more money for education
- **A Different Pie.** Allow local taxes to provide new money for education
- **Actual Pie.** Hold bake sales (and other local fundraisers)

Solutions have to start with an understanding of the problem. In about 2005, a coalition of education funders pooled their efforts to sponsor [Getting Down to Facts](#), an ambitious research effort to give clear advice to the [Education Excellence Committee](#), an expert panel appointed by then-governor Arnold Schwarzenegger to recommend changes consistent with the research. (Disclosure: Ed100 founder Jeff Camp served on this committee.)

Among its main recommendations, released in January 2008, the committee called for a thorough reinvention of California's school funding system. It envisioned a model in which more money would go toward schools where more resources were needed to help students succeed. Much of this recommendation was accomplished in 2013 with passage of the Local Control Funding Formula ([LCFF](#)).

California schools are not within bake-sale distance of nationally normal funding

The committee also urged lawmakers to add several billion dollars to the state education budget. The opposite happened. When the "great recession" hit, K-12 funding was cut dramatically. Education budgets fell about 20% between 2008 and 2012. It took seven years for education funding to recover to its 2008 level, adjusted for inflation.

A Larger Slice for Education

Polls assure us that, in principle, Californians want better-funded schools ... if they don't have to pay for them. For example, in 1988 voters passed [Proposition 98](#), a measure that didn't increase taxes -- but required lawmakers to commit a greater portion of the state budget toward education.

At budget time, advocates for other causes (like social services or the environment) can be excused for regarding the education budget with a degree of envy. The budget process is zero-sum: there are winners and losers. Proposition 98 has often served as a powerful advantage for education advocates; if a draft budget fails to meet the minimum bar of the "Prop 98 guarantee" lawmakers can expect a stern conversation and the occasional threat of litigation.

Litigation (or the threat of it) over education budgets is not unique to California. Because education is a basic function of government, it tends to be mentioned in state constitutions. In some states, education advocates have successfully prompted increased spending through judicial pressure. Efforts to spur increased education spending (beyond the Prop 98 minimum) through [education "equity and adequacy" litigation](#) are common among the states, and in some places, notably New York, have spurred [major increases](#) in educational investment. Related cases have not been particularly fruitful in California. (See our [blog](#) for more.)

Litigation over the condition of education has not been entirely without effect, however. In 2004, California settled a class action case usually known as the [Williams Case](#). The settlement established some minimum requirements and services that schools must provide, including up-to-date textbooks, qualified teachers, enough seats for students, and classrooms free of vermin.

In 2018 research into the practical meaning of an [adequate education](#) was included as a part of the Getting Down to Facts II project. A team of researchers led by Jennifer Imazeki concluded that in the 2016-17 school year "providing an adequate education would have required California to spend \$22.1 billion more... almost a third more than that year's spending levels."

Of course, education advocates cannot just rely on initiatives and litigation to make the case that public education deserves its share of the budget pie. After all, other functions of government need funding, too. The [California Budget Challenge](#) is an informative, playful, nonpartisan, nonprofit website that helps to make budget tradeoffs more concrete for voters in California. It feels a bit like a game, and works well as a group activity.

A Bigger Pie

Occasionally, the solution is not zero-sum. In 2012, voters rescued schools from big cuts by passing Proposition 30, which raised taxes, though only on the state's wealthiest earners. The taxes were extended to 2030 when voters passed Prop 55 in 2016.

A Different Pie: Local Taxes and changes to Proposition 13

Survey results consistently show that Californians can be supportive when taxes are local, and in support of local schools. Solid majorities (roughly six in ten) say they would support a local tax to support schools in their community.

In this case, the will of the majority is not enough. By passing Proposition 13, in 1978 California voters amended the California constitution to make it very difficult to pass taxes. The theory is that voters, like Odysseus, should have the power to tie themselves to the mast to resist temptation. Prop 13 requires that local governments, including school districts, must get 2/3 voter approval to pass special taxes. Prop 13 also prohibited school districts from raising property taxes based on the value of property ("ad valorem" taxes), except for issuing General Obligation Bonds for facilities.

The main available instrument for local taxation is the "parcel tax," which has been ruled permissible because it is not "ad valorem." Parcel taxes are based on the existence of a parcel of property rather than on its value. Under the rules of Prop 13, a school district can propose a parcel tax and pass it with 2/3 of votes cast. It is very difficult to get 2/3 of voters to agree to anything, but some districts manage it. [Lesson 8.10](#) goes into more detail about parcel taxes.

In any major conversation about education funding, the elephant in the room is [Proposition 13](#), which we discuss in another lesson. Multiple efforts to amend this crucial measure have gone nowhere. It remains popular, especially among Californians who have owned property long enough for it to have gained in value. The Silicon Valley Community Foundation commissioned a [major review of Prop 13](#) in 2013 to explain the issues and challenges. It seems likely that at some point new changes to California's property taxes will again be proposed, but then again it has seemed that way for a long time.

Any time there is a hint of a possibility of a chance for change in the 2/3 rule, it is a big deal. For example, a 2017 California Supreme Court ruling in a case about medical marijuana dispensaries appeared to suggest some [wiggle room](#). If a measure originates as a citizen initiative, the [ruling](#) suggested, a majority should suffice to pass it.

Flavors of Pie

California's funding for education is dramatically lower than other states, as described in Lessons 8.1 and 8.2. Big gaps require big solutions, but how big is big? For example, \$1 billion sounds like a lot of money, right?

\$1 billion is equivalent to \$120-160 per student

In the context of a system with 6.2 million K-12 public school students, every \$1 billion is equivalent to \$160 per student (\$120 per student for K-14 programs). This rule of thumb can help put things in perspective. Sure, a billion is a big number in the abstract, but California's funding gap per student is many billions short of adequate.

In a 2018 [op-ed](#) contribution to EdSource, John Affeldt of [Public Advocates](#), an advocacy organization, summarized the policy options in circulation:

Policy Options for More Education Funding

Require the regular reassessment of commercial property at fair market value while leaving in place existing protections for residential property. A version of this idea is expected to appear on the ballot in 2020. It should raise \$11 billion for the general fund and \$4.5 billion K-14 education.

Reassess the taxable value of very high-value property. As Warren Buffet famously pointed out, Prop 13's annual 1 percent cap on property taxes and 2 percent annual limit on increases in reassessed value provide a much greater tax break to the wealthy than to low- and moderate-income homeowners. (\$5 billion to general fund; \$2 billion for K-14 education)

Bump the annual 1 percent cap on property taxes up by 0.1 percent, with the additional funds dedicated to education. This proposal was included in the recommendations of Governor Schwarzenegger's Committee on Education Excellence. (\$5-\$7 billion to K-14 education)

Reinstitute the 2 percent Vehicle License Fee that existed from 1948-98, dedicating everyone's extra payment to education. (\$6-8 billion overall; \$2.5-3.5 billion to K-14 education)

Create a tax on services, which now make up about 80 percent of California's economy. California is one of a handful of states that does not include some type of business and personal services. Like property taxes, a services tax is less volatile than income taxes. Legislators are beginning to introduce proposals in this area. (After sales tax offset, \$7 billion to general fund; \$3 billion to K-14 education)

Tax the extraction of oil. California is the only major oil-producing state that lacks this tax. (\$2 billion directly to K-14 education)

Restore the ability of school boards to institute general taxes with a simple majority, like cities and counties. This would require a constitutional amendment and a mechanism to ensure the state compensates poorer districts that lack the capacity and resources of wealthier ones. Permitting local jurisdictions to raise new revenues outside Prop 98 is probably a key component of the long-term school funding solution. (\$12-15 billion for K-12 education).

Restore estate taxes. In the early 2000's California stopped collecting its own revenue from an estate tax. Some lawmakers have proposed re-imposing a California estate tax consistent with pre-tax reform federal rules (\$5 billion to general fund; \$2 billion to K-14 education).

Fundraising: Actual Pie

When all else fails, school communities scramble to get what they need.

Let's start with the obvious. When times are tough and school funding suffers, people who care and are able will do what they can. This happens all over California, but unequally. Some wealthier communities (which under LCFF receive significantly less funding

than those with large numbers of low-income families) can raise hundreds of dollars per student -- sometimes more -- through voluntary giving. Some schools hold elaborate auctions. Some cut to the chase with "check writing campaigns." Others hold a wide variety of fundraising events.

*Voluntary donations
cannot match the funding
power of a tax.*

How much is a "normal" amount of fundraising for a school? No one really knows.

Data about local donations to school-related nonprofit organizations are not collected or reported in a consistent way. It is quite literally impossible to know how much is raised and how the funds are used. Some schools and school districts have established local [education foundations](#). Others depend on their local PTAs and other

parent organizations to provide money for everything from field trips to extra staff to extra stuff. But even in the wealthiest communities, donations cover at most the cost of a few salaries per school.

California schools are not within bake-sale distance of nationally normal funding. Voluntary donations cannot match the funding power of a tax. But under current California law, communities have few options for taxing themselves to support their schools. The next lesson will examine the options in a bit more depth.

Updated September 2017. Updated November 2018 with revenue options from John Affeldt and GDTFII findings.

Lesson 8.10

Parcel Taxes: Only in California...

So you want to pass a parcel tax. Here's how.



If a school community in California wants to significantly increase funding for the basic operation of its own local schools, there is one option: the parcel tax.

California is the only state in America that uses this particular form of property tax to fund schools, for reasons tied up with [Proposition 13](#). This famous ballot initiative, passed by California voters in 1978, prohibits school districts from raising property taxes based on the value of property (“ad valorem taxes”), except for General Obligation bonds for [facilities](#). Parcel taxes are hard to pass; they require two-thirds voter approval, not just a simple majority.

In This Lesson

What is a parcel tax?

Why does a parcel tax take a 2/3 vote?

Can a majority vote pass a parcel tax?

How can we raise more money for our school district?

How common are parcel taxes?

What rate should a parcel tax be?

Are parcel taxes permanent?

Are parcel taxes fair?

★ Discussion Guide

Hacking 13

*Let's find a hack
'round Prop 13
a parcel tax
to staunch the bleed
and give some schools
the dough they need
if two out of three
agree.*

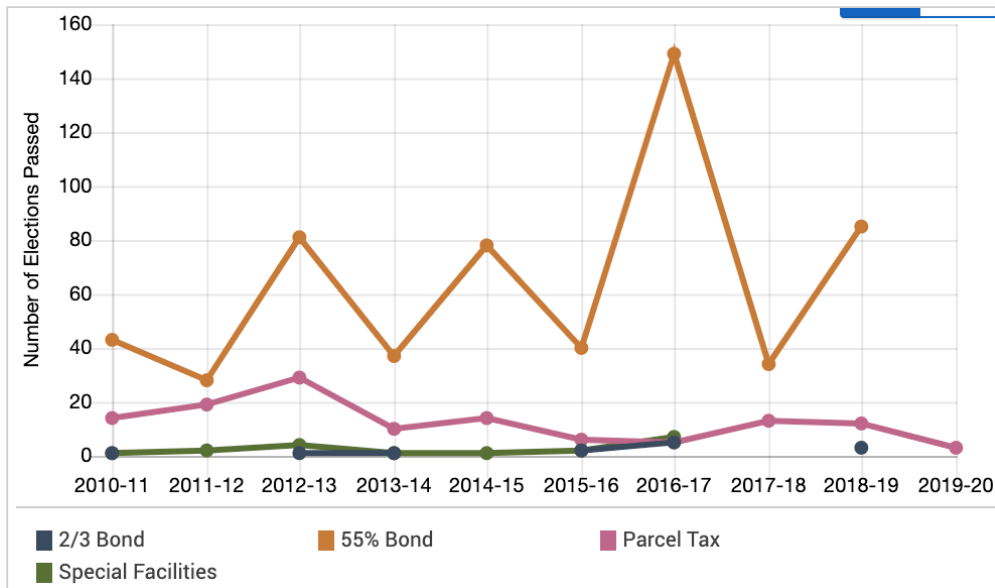
vote no.

Because a 2/3 vote is difficult to secure, less than half of California districts have attempted to pass a parcel tax. More than half of the parcel tax elections held since 1983 have passed, but the districts that passed them represent less than 10% of the student population of California.

Revenue Measures Passed

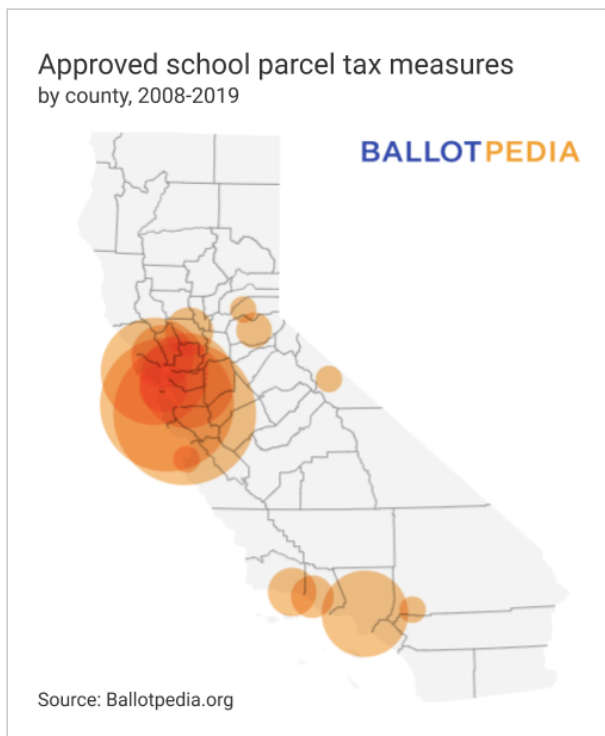
Most parcel taxes assess a flat fee on each parcel of property, no matter its size or value. The owner of a small single family home in a modest neighborhood pays the same tax as the corporate owner of a manufacturing plant or large apartment complex. These taxes are, unavoidably, *regressive* & a flat fee is a larger burden on less expensive properties (and less wealthy property owners). Some districts have added provisions to their parcel tax measures that cause taxes to vary, but usually this is used to avoid taxing parcels owned by senior citizens who might otherwise

*About a tenth of students
in California attend a
school supported by a
parcel tax.*



Source: EdSource via Ed-Data.org

Most of the school districts that have passed a parcel tax are located in the San Francisco Bay Area. Check [Ballotpedia.org](https://www.ballotpedia.org) to find out more about these measures.



Parcel tax measures are generally expressed in terms of dollars per parcel or dollars per square foot, which makes them difficult to compare because school districts vary massively in the number of parcels they include. If you are thinking about the impact of a proposed parcel tax on children in your district, you'll need to do the math to figure out what it will raise in terms of annual dollars per student.

Parcel tax measures are often written with provisions to express the intended purposes for the money raised. For example, a parcel tax measure might direct funds specifically toward art and music education. Or toward teacher collaboration time, or field trips, or other specific community priorities. Some parcel tax measures include provisions to create a community oversight committee to help ensure that the funds are used for the intended purpose.

Education advocates regularly discuss the possibility of reducing the passage threshold for parcel taxes, usually to 55%. Why 55%? Because it has a precedent. For many years after Prop 13 passed, bond measures for school construction and renovation required a 2/3 vote to pass. Few did, and as a result schools became decrepit and crowded. Voters lowered the “super-majority” required to pass school facility bonds to 55% in 2001. (See [Lesson 5.9](#).)

If the passage rate for local parcel taxes for schools were lowered, many more communities would pass them, as discussed in this short video from the Public Policy Institute of California. (Sharp-eyed readers, noting that this research was [conducted](#) 2013, might wonder if it is out of date. Nope. The issues, patterns and policy choices remain largely unchanged.)

Equity concerns

All proposals that make it easier for local communities to raise money for schools risk bumping up against concerns about equitable funding, the same issues that created California's landmark school finance case: *Serrano v Priest*. (Note: Ed100 author Jeff Camp has suggested an alternative, the "[tandem bike](#)" approach.)



Here's what it takes

Passing a local tax measure is hard work that has to be done by community members. A school district cannot use public funds to push them. To succeed, local campaigns in support of schools must [engage whole communities](#) in public education issues, challenges, and opportunities. It's door-to-door, handshake-to-handshake work. If you are thinking about it, start with a visit to the registrar of voters in your county to understand the process.

Learn much [more about parcel taxes and school bonds in our blog](#).

The next lesson delves into one more way communities support their schools — as volunteers. Volunteer resources are noteworthy, but seldom accounted for in a meaningful way.

Updated September 2017, November 2019, February 2020.

Lesson 8.11

Volunteers: Stealth Wealth for Schools

Schools need something money can't buy. It's...



If you can get things without paying for them, are they less valuable?

Of course not. Value is value, whether paid for in cash, barter or psychic rewards.

Money is only valuable for what it can buy

The "wealth" of a school depends deeply on the skills, energy and time that [moms](#), dads, students, and community members can bring to bear. From athletics and school events to school committees and tax campaigns, volunteers are essential to the fabric of most schools. Their contributions of time and expertise are sometimes celebrated, but rarely if ever systematically recorded on a school's financial statements.

In This Lesson

- How can our school recruit more volunteers?
- What are good activities for school volunteers?
- How can school volunteers make equity worse?

★ Discussion Guide

Volunteers are stealth wealth. The California State PTA, which keeps a record for all its members, estimates that in a single year PTA volunteers alone donated more than 20 million volunteer hours. Using IRS [guidelines](#), in California this is roughly the equivalent of \$500 million.

Like all wealth, volunteer value is unequally distributed and frequently squandered.

Unequal

In California's wealthiest communities, schools are blessed with the help of college-educated parents with the freedom to commit significant time in support of their children's schools.

In schools that do a good job of corralling this free talent, parents provide all manner of assistance to their schools, including financial and legal help, organizational and technical consulting, and more.

They help arrange community events for the school. They run fundraisers, converting local good will into dollars. As "room parents" they amplify teachers' and administrators' ability to communicate effectively with the whole school community, setting up complex lines of

communication. They arrange school partnerships with local businesses. They organize local bond campaigns or [parcel tax](#) measures. At elementary schools they also often help out in classrooms, sometimes reducing the [ratio of students to adults](#) in a significant way.

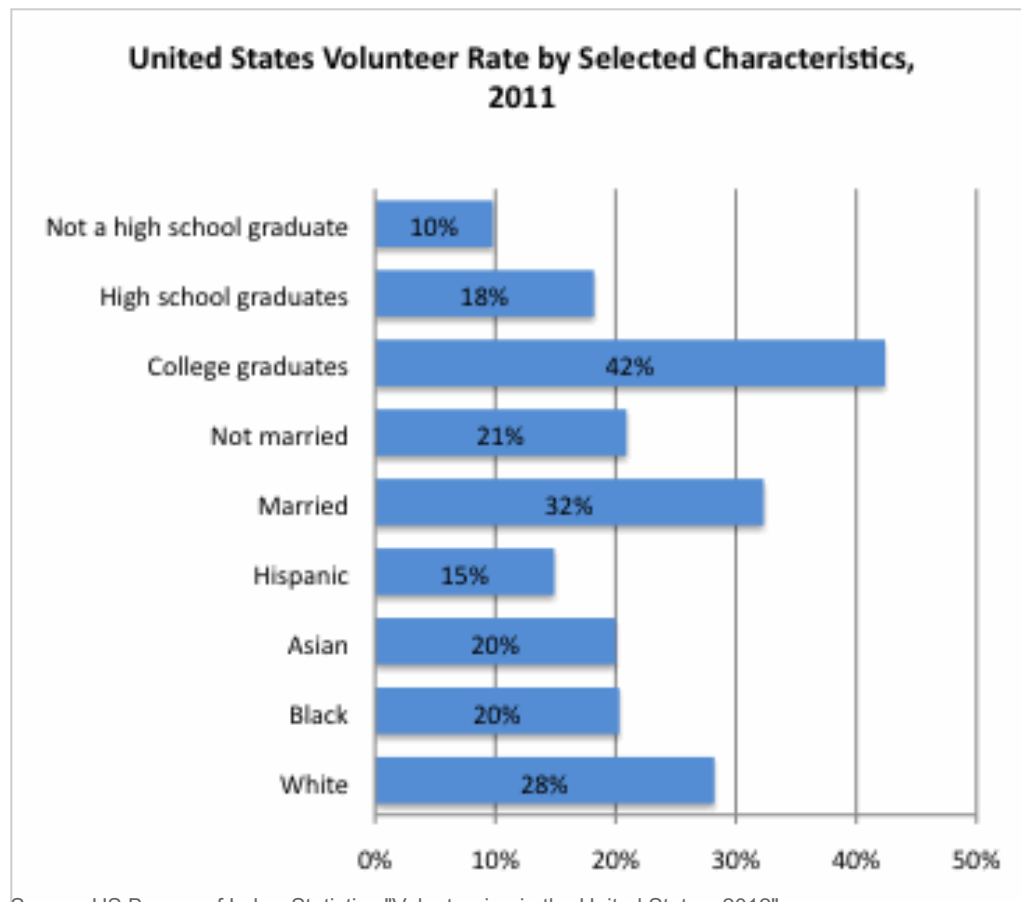
Stealth Wealth

*Budgets rarely
count the hours /
that parents volunteer: /
Stealth wealth.
Hidden help /
when school
is too austere.*

In communities that are struggling, by contrast, parents are far less able to help their schools. In the scheme of things, volunteering in support of the school is a luxury if more basic needs are not met, like keeping a roof over one's head, food on the table, and shoes on your children's feet.

How big is the difference? An annual survey by the Bureau of Labor Statistics reports on differences in volunteering activity by ethnicity, marital status, and educational attainment, which correlates with income. Some

communities and schools are in a better position than others to recruit moms and dads and put their skills to work for kids. Addressing this disadvantage is part of the reason why California established the [Local Control Funding Formula \(LCFF\)](#), which allocates extra funds to schools where there are concentrations of students in poverty and with limited English skills.



Often Squandered

There is nothing easy about corralling volunteers. It's hard to know what to ask of them. People come with different skills, time constraints, and commitments. Language barriers can be an obstacle. Even with the best intentions, some do not follow through because...well... life gets in the way.

Some of the highest-value volunteers in education are parent leaders. The PTA and other parent organizations help school leaders make the most of the available volunteer time. They convert goodwill and good intentions into action, and mitigate the flakiness that threatens any volunteer endeavor.

Oh, and they also learn, and teach. It is not an accident that Ed100 was, itself, substantially built by volunteers!

Do Parent Volunteers Help Their Kids?

When parents engage in projects like raising money, advocating for policy changes, or organizing teacher appreciation events they are doing vital work. It's all good stuff — but it's important to acknowledge that it doesn't necessarily help kids learn more. From the perspective of student learning, some of the most powerful things that parents can do are personal and deceptively simple. Read aloud together, dramatically and joyfully. Ask genuine questions that require real thought. Take an active interest in the content that kids are learning.

Many parents read voraciously about parenting only when they are expecting their first child. After that, most wing it. This is unfortunate, because parenting is difficult and sometimes unintuitive. For example, parents often have terrible instincts about how to encourage their kids. PTAs and similar groups can do a lot of good by helping parents learn skills they need as parents, like how to cultivate a [growth mindset](#).

Updated December 2017, December 2019