

CALIFORNIA BUDGET PROJECT

Education Finance:

How Schools Receive and Spend Their Money

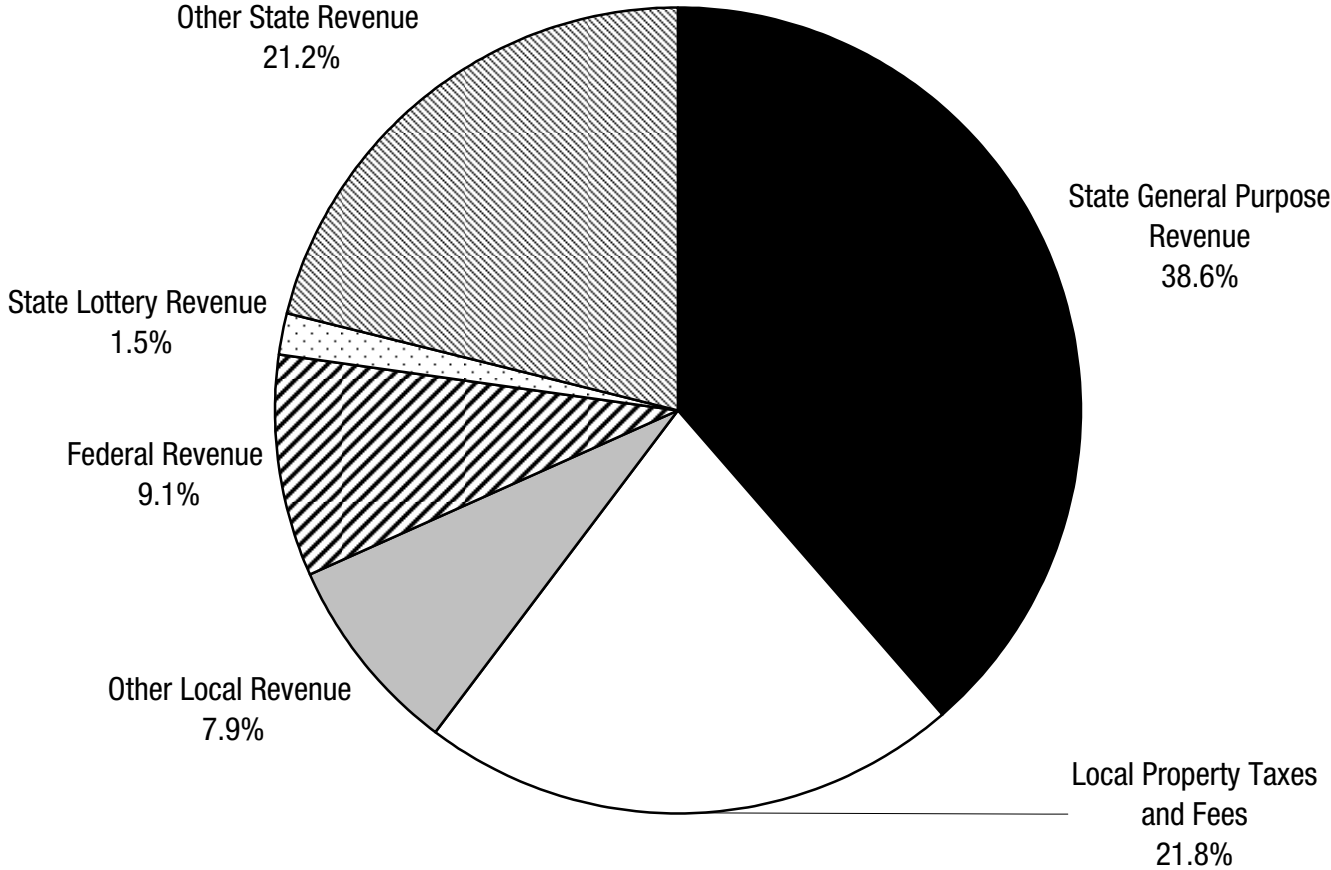
1107 9th Street,
Suite 310
Sacramento,
California 95814
(916) 444-0500
www.cbp.org
jkaplan@cbp.org

A PRESENTATION BY JONATHAN KAPLAN
THE CALIFORNIA BUDGET PROJECT
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Why Does Education Finance Matter?

- The state spends approximately 40 percent of its General Fund budget on K-12 education.
- There are more than six million K-12 students in the state.
- Education is critical to the future of all Californians.
- The state budget depends on effective management of education finance.

School Districts Received More Than Half of Their Revenues From the State in 2007-08



Note: Excludes special revenue funds, capital project funds, debt service funds, proprietary funds, fiduciary funds, and other financing sources. Percentages do not sum to 100 due to rounding.

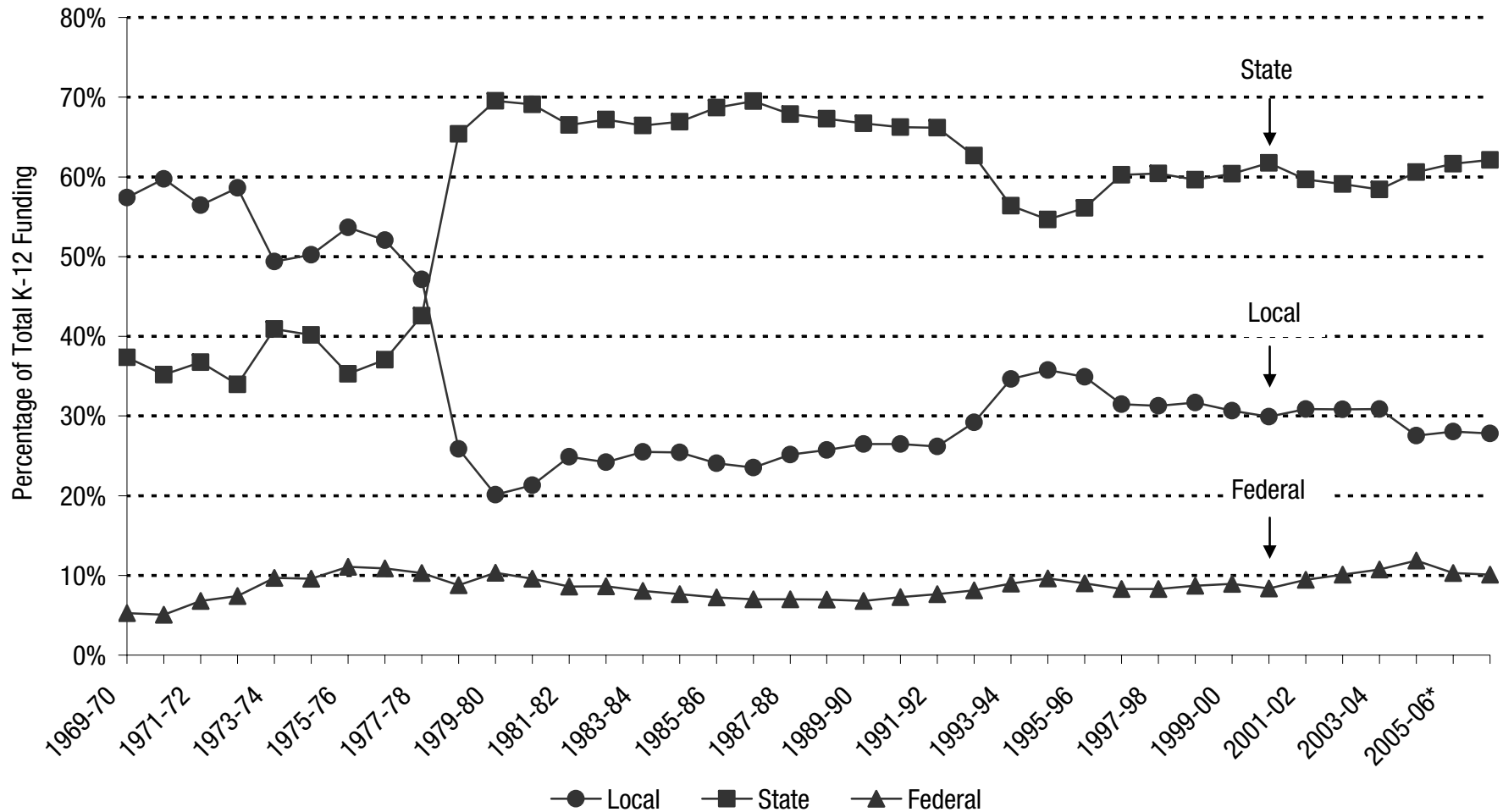
Source: California Department of Education



Why Schools Are Feeling the State Budget Crunch

- Well over half of school revenues come from the state.
- The state spends the largest share of its General Fund budget on K-12 education.

After 1977-78, California's K-12 Schools Received a Larger Share of Funds From the State and a Smaller Share From Local Property Tax Revenues



* 2005-06 and 2006-07 estimated.
Source: National Education Association

Schools Receive Two Types of Revenues

- Unrestricted dollars can be used for any purpose.
- Restricted dollars are “earmarked” for specific purposes such as special education or professional development.

Most Dollars Schools Receive Are Unrestricted

- Nearly two-thirds (65.8 percent) of the dollars schools receive are unrestricted.
- Schools spend nine out of 10 (89.8 percent) of their unrestricted dollars on staff salaries and benefits, 7.9 percent for operating costs such as electricity, heating, and insurance, and 2.3 percent for books and supplies.

What Share of School Dollars Are Restricted?

- More than one-third (34.2 percent) of the dollars schools receive are earmarked funds for specific school programs – most of which is referred to as “categorical aid.”
- Federal funds account for less than one out of every 10 dollars schools receive and 94.1 percent of these dollars are earmarked for specific purposes.
- Over the past 30 years categorical aid has increased from 10.3 percent of school revenues in 1976-77 to 29.9 percent in 2006-07.

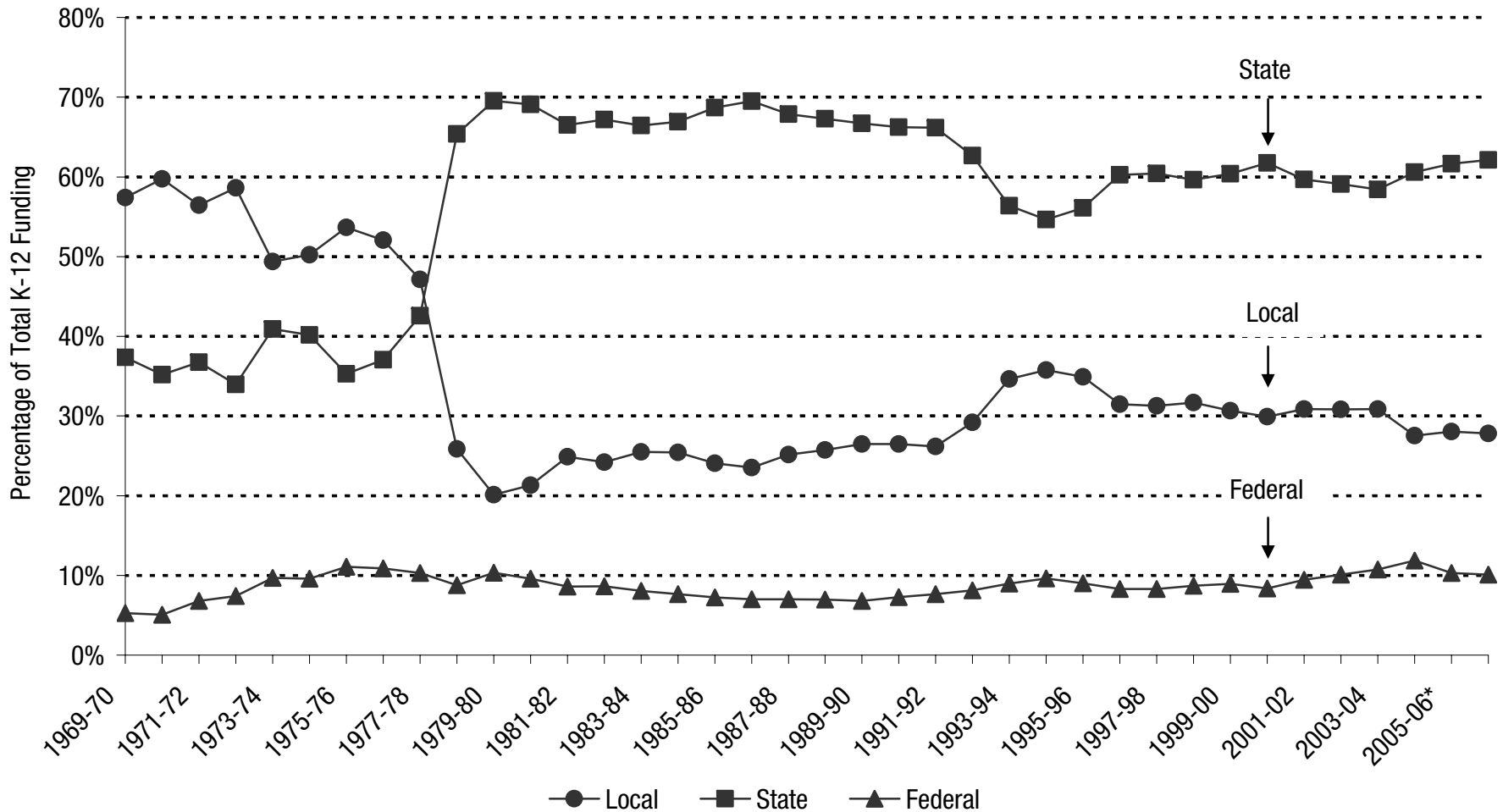
What Revenue Do Schools Raise From Local Sources?

- Schools receive more than one out of every five dollars (21.8 percent) from local property taxes.
- Schools receive 7.9 percent of their funds from other local revenues that include parcel taxes and gifts.

Other Local Revenues May Lead to Funding Disparities Among School Districts

- A small number of school districts receive parcel tax revenues.
 - One out of ten districts (10.3 percent) imposed parcel taxes in 2006-07.
 - Between 1983 and 2006, nearly all parcel tax elections occurred in higher-income districts.
- Schools are not required to separate contributions and gifts from other school revenues.

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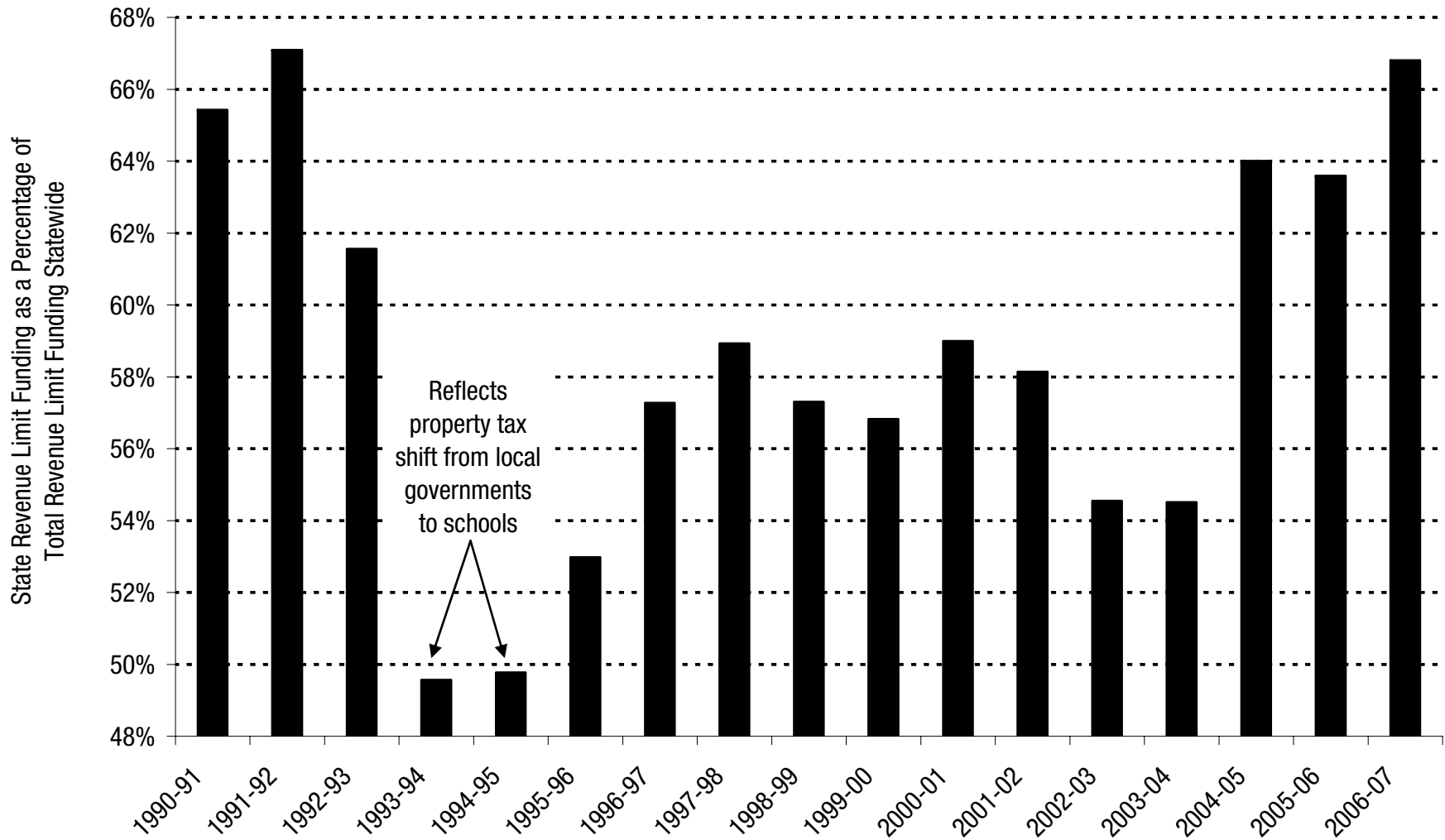


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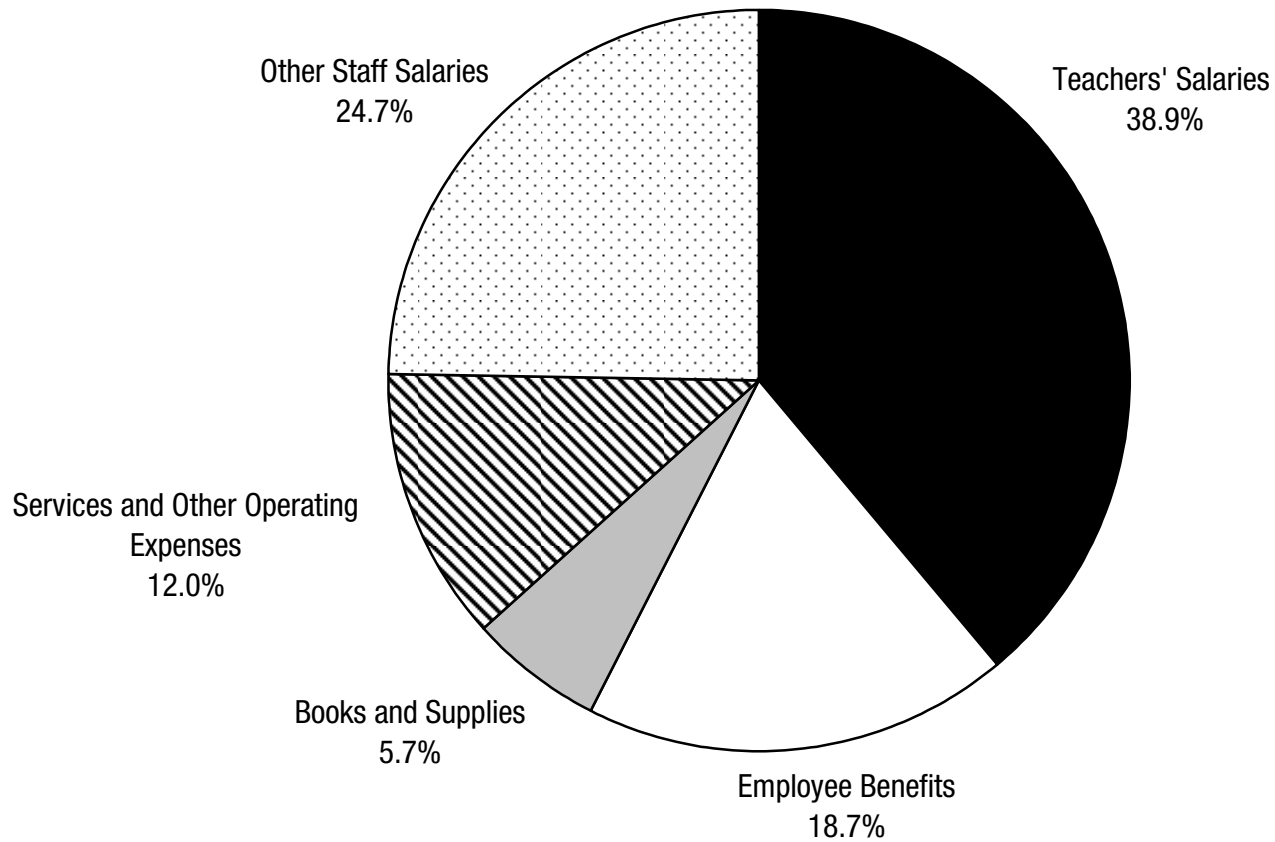
What Are Revenue Limit Funds?

- California implemented revenue limits in 1973-74 to address disparities in school funding.
- Revenue limits provide the largest share of general purpose funding for schools.
- More than six out of every 10 dollars (60.4 percent) that schools receive are revenue limit funds.
- Despite the effort to equalize funding, significant disparities remain between high- and low-wealth districts.

The Share of Revenue Limit Funds Provided by the State Fluctuates



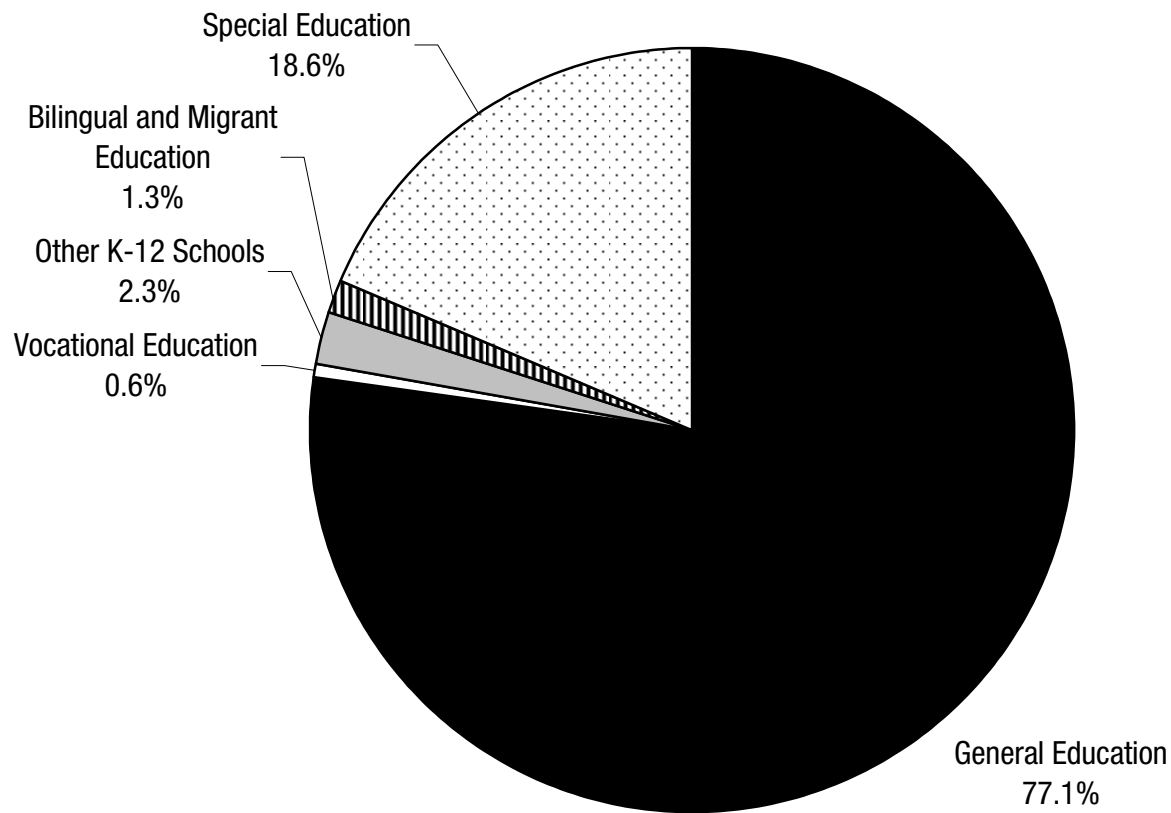
More Than Four-Fifths of Statewide Spending for Schools Supported Salaries and Benefits in 2007-08



Note: Excludes spending from special revenue funds, capital project funds, debt service funds, proprietary funds, and fiduciary funds.
Other Staff Salaries includes counselors, instructional aides, clerical staff, supervisors, and administrators.

Source: CBP analysis of California Department of Education data

General Education Spending Accounts for More Than Three-Fourths of Statewide District Instructional Expenditures Per Student



Share of Statewide District Instructional Expenditures Per Student, 2004-05

Note: Excludes spending from special revenue funds, capital project funds, debt service funds, proprietary funds, and fiduciary funds. Spending is for districts with more than 250 students. Percentages do not sum to 100 due to rounding.

Source: Institute for Research on Education Policy and Practice

Schools Spend Money Differently

- Schools with large shares of students from low-income families spent more than schools with small shares of these students.
- Urban schools spent a larger share of their instructional dollars on special education than rural schools.
- Schools with a large share of students from low-income families spent more than four times the per-student amount on bilingual education as schools with fewer low-income students.
- “Basic aid” districts spent more than twice the amount per pupil on construction of major facilities as non-“basic-aid” districts.