

Race to the Bottom? California's Support for Schools Lags the Nation

By almost any measure California ranks near or at the bottom with respect to funding for public schools relative to other states. Although such comparisons do not take into account how much it actually costs to provide a quality education to California's students, they do provide one measure of whether California spends an appropriate amount on public schools. California's spending for public education has generally lagged that of the nation. The spending gap widened after the passage of Proposition 13 in 1978, narrowed from the late 1990s through 2001-02, and has grown substantially since 2006-07. Moreover, California's system of financing schools – which relies heavily on state funding and relatively less on local property taxes – differs from the pattern of the nation as a whole. This is largely due to Proposition 13's limits on the local property tax and other local revenues, as well as measures enacted after Proposition 13 to help schools and local governments cope with the loss of local revenues. This *School Finance Facts* compares school spending, revenues, staffing, and students in California to the rest of the US and shows that California's education spending is falling behind.

How Do California's Education Spending and Staffing Levels Compare to Other States?

California's spending for public schools lags that of the rest of the US.¹ California's schools:

- Ranked 44th among the 50 states in K-12 spending per student, spending \$2,546 less per student than the rest of the US in 2009-10 (Table 1). To reach the level of spending per student of the rest of the US, California's schools would have had to spend an additional \$15.4 billion in 2009-10, an increase of 28.9 percent.
- Ranked 46th in education spending as a percentage of personal income – a measure that reflects the size of a state's economy and the resources available to support public services. To reach the level of the rest of the US, California would have had to spend an additional \$15.3 billion on education in 2008-09, an increase of 29.5 percent.

Table 1: California's Schools Lag Behind Other States on a Number of Measures

	California Rank	California	Rest of US
K-12 Spending Per Student (2009-10)*	44	\$8,826	\$11,372
K-12 Spending as a Percentage of Personal Income (2008-09)*	46	3.28%	4.25%
Number of K-12 Students Per Teacher (2009-10)*	50	21.3	13.8
Number of K-12 Students Per Administrator (2007-08)	46	358	216
Number of K-12 Students Per Guidance Counselor (2007-08)	49	809	440
Number of K-12 Students Per Librarian (2007-08)	50	5,038	809

* 2008-09 and 2009-10 data are estimated.

Note: "California Rank" and "Rest of US" exclude the District of Columbia. Spending per student and number of students per teacher are based on Average Daily Attendance (ADA). Number of students per administrator, guidance counselor, and librarian are based on statewide enrollment.

Source: National Education Association, National Center for Education Statistics, and US Bureau of Economic Analysis

California has more students per school staff than the rest of the US. California's schools:

- Ranked 50th in the nation with respect to the number of students per teacher. California averaged 21.3 students for each teacher in 2009-10, more than 50 percent larger than the rest of the US, which averaged 13.8 students per teacher.²
- Ranked 46th in the nation with respect to the number of students per administrator.³ California's schools averaged 358 students for each administrator in 2007-08, compared to 216 students for each administrator in the rest of the US.
- Ranked 49th in the nation with respect to the number of students per guidance counselor. California's schools averaged 809 students for each guidance counselor.

in 2007-08, while the rest of the US averaged 440 students per guidance counselor.

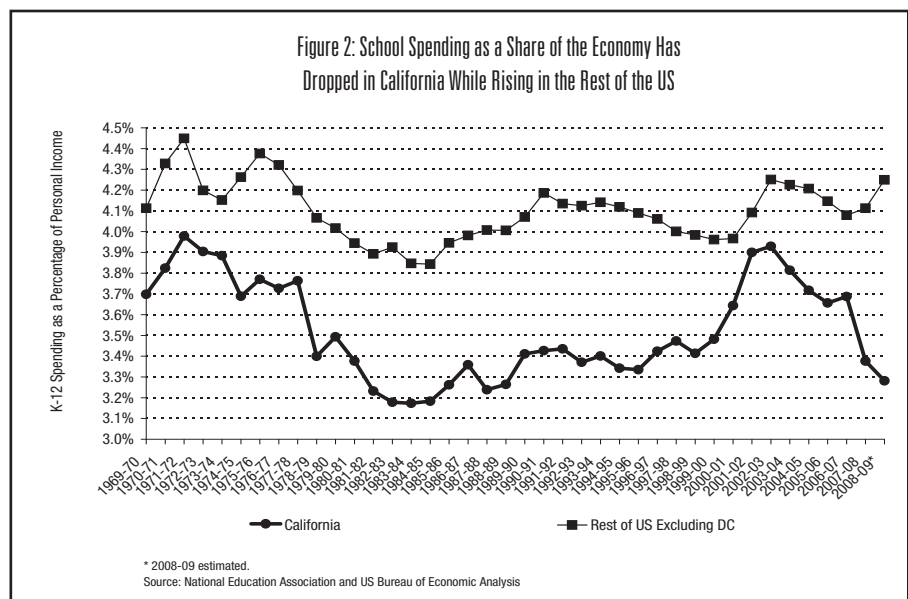
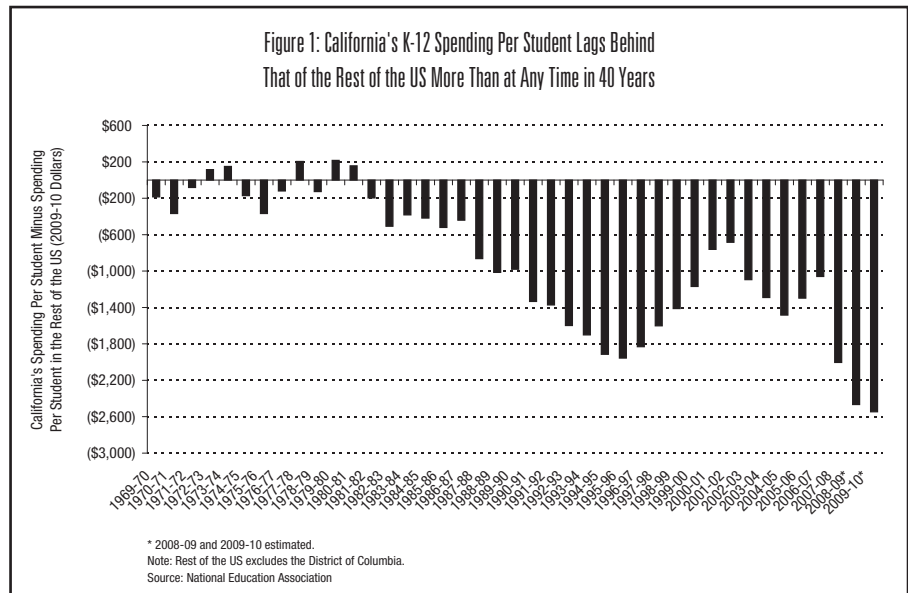
- Ranked 50th in the nation with respect to the number of students per librarian. California's schools averaged 5,038 students for each librarian in 2007-08 – more than six times that of the rest of the US, which averaged 809 students per librarian.

California's Spending for Schools Is at a Historic Low

California's spending for education has lagged behind the rest of the US since at least the early 1980s, as measured by a number of indicators. Currently, California's school spending is at its lowest level in 40 years compared to the rest of the US, according to at least two measures. Specifically:

- State spending per student trailed that of the rest of the country in 2008-09 and 2009-10 by more than \$2,400, a larger disparity than at any point in the past 40 years in inflation-adjusted dollars (Figure 1). By contrast, California's school spending per student during the 1970s was close to, or even higher than, that of the rest of the US. Since 1981-82, however, California consistently has spent less per student than the rest of the US.

- The gap between California's school spending as a share of the state's economy – measured by the state's personal income – and that of other states was larger in 2008-09 than at any other time in the past 40 years (Figure 2). California's spending on schools as a share of its personal income has lagged behind the rest of the US since at least the 1970s. In 1977-78, immediately prior to the passage of Proposition 13, California's school spending equaled 3.76 percent of state personal income – the total income of all Californians – while that of the rest of the US equaled 4.20 percent. During the 1980s and 1990s, California's school spending as a percentage of personal income declined, dipping as low as 3.17 percent in 1983-84. While the gap narrowed somewhat in the late 1990s and early 2000s, California's school spending as a



share of the state's economy has declined sharply since 2006-07, while that of the rest of the US has increased.

- California has more students per teacher than the rest of the US, and the gap is larger today than at any time since 1996-97 (Figure 3). In 1971-72, California had 3.2 more students per teacher than the rest of the US. The gap widened over the next two decades, with as many as 8.7 more students per teacher in California in the mid-1990s, but the gap narrowed after the state implemented the Class Size Reduction Program for grades K through three (K-3 CSR) in 1996.⁴ California reduced financial penalties for schools that participate in the K-3 CSR Program in 2009, which led many schools to increase class sizes. In 2009-10, California classrooms had 7.5 more students per teacher and were more than 50 percent larger than those in the rest of the US – the largest gap in more than a decade.

California Has More Students and Greater Challenges

More students attend school in California than in any other state. In 2009-10, 6.0 million students attended public schools in California. In contrast, 4.5 million students attended Texas' public schools in the same year. Moreover, California's children disproportionately come from low-income families in comparison to the US

average, and the state has by far the lowest share of children with English-speaking parents in the nation. More than four out of 10 California children (41.3 percent) come from families with incomes below twice the federal poverty line – \$34,692 for a single parent with two children in 2008 – and more than one-third (37.2 percent) of California children come from families whose parents do not speak English fluently.⁵

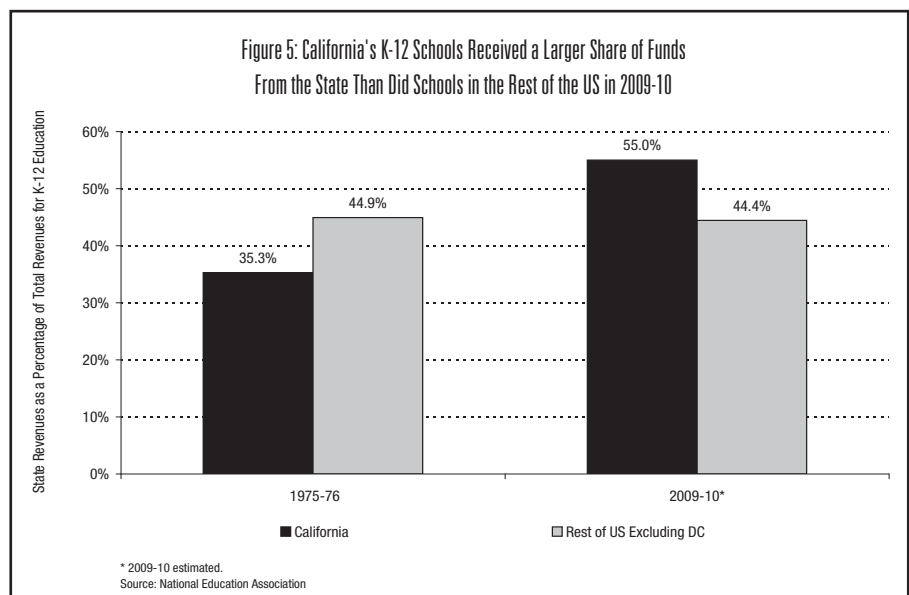
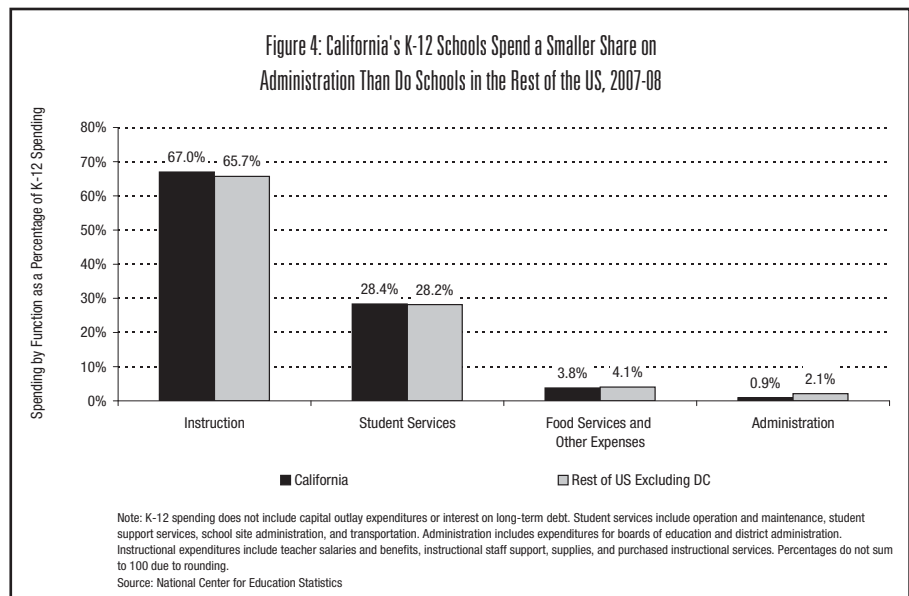
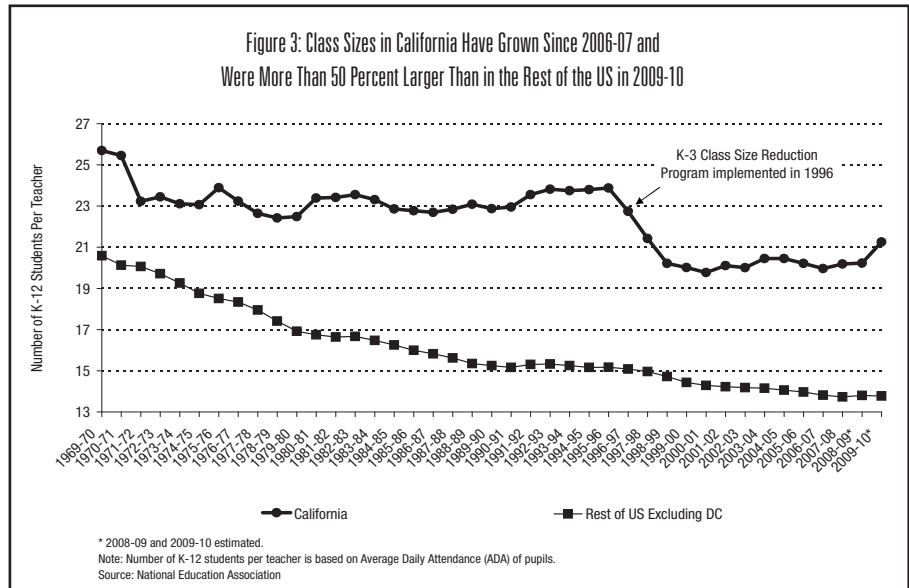
How Are California's School Dollars Spent?

California spends a larger share of its education dollars on instruction and student services than do schools in the rest of the US. In 2007-08, California's schools spent 95.3 cents of each education dollar on instruction and student services, while schools in the rest of the US spent 93.8 cents of each dollar on the same functions (Figure 4). In contrast, California's schools spent 4.7 cents of each dollar for K-12 education on administration, food services, and other expenses, while schools in the rest of the US spent 6.2 cents of each education dollar for the same functions. California's relatively high level of classroom spending is in part a reflection of the fact that teacher salaries are higher, on average, in California – \$70,458 in 2009-10 – than those in the nation as a whole (\$55,350).⁶

Where Does the Money for California's Public Schools Come From?

California's schools have received a majority of their dollars from the state since 1978-79, while they received the majority of their revenues from local sources for most years between 1969-70 and 1977-78.⁷ In 2009-10, for example, California's schools received 55.0 percent of their revenues from the state and 31.2 percent from local sources, primarily local property taxes. In 1975-76, California's schools received 35.3 percent of their revenues from the state and 53.7 percent from local sources (Figure 5). In contrast, schools in the rest of the US received roughly the same share of their dollars from state sources in 2009-10 (44.4 percent) as they did in 1975-76 (44.9 percent) and a slightly smaller share of their dollars from local sources in 2009-10 (45.8 percent) as they did in 1975-76 (46.9 percent).

States use different approaches to fund education. In some states, schools receive



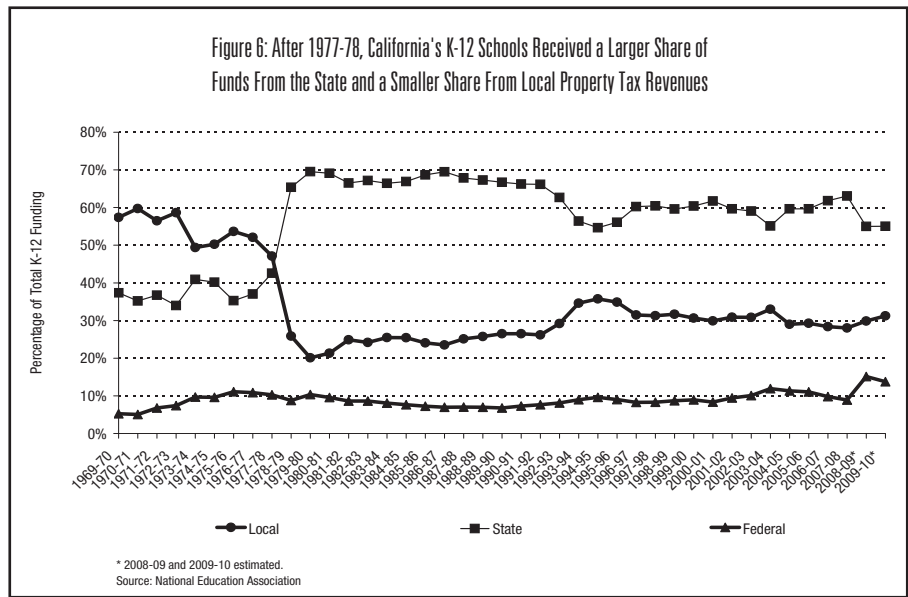
a larger share of their dollars from the local property tax, while in others, schools receive a larger share from state funds. In 2009-10, California was one of 16 states in which state funds accounted for 55.0 percent or more of K-12 education revenues.⁸

California's schools received a greater share of their dollars from federal sources in 2008-09 (15.1 percent) and 2009-10 (13.7 percent) than at any point in the past 40 years. In contrast, California's schools received an average of 8.7 percent of their revenue from federal sources between 1969-70 and 2007-08. The recent increase in federal dollars as a share of California's school revenue is due in part to resources provided by the American Recovery and Reinvestment Act of 2009 (ARRA). However, most of the dollars the ARRA provides to schools are temporary, and a large majority of the funding will end in 2011. While federal dollars comprise a relatively small share of total California school funding, California's schools rely on federal funds to a greater degree than do schools in most other states.

Why Is California's System of School Finance So Different?

Local revenues account for a relatively small share of the total funds received by California's schools largely because of Proposition 13.⁹ In 1977-78, immediately prior to the passage of Proposition 13, local revenues provided nearly half (47.1 percent) of the funding for California's public schools. By the early 1980s, local sources provided about one out of every four dollars received by public schools (Figure 6). This shift reflects state legislation aimed at cushioning the impact of Proposition 13 on local governments.

Proposition 13 reduced property tax revenues, which are distributed to schools and local governments, by 53 percent.¹⁰ The Legislature responded by shifting property tax revenues from schools and community colleges to cities, counties, and special districts in 1979. In turn, the state increased its share of funding for schools and community colleges.¹¹ This shift was partially reversed on a permanent basis in the early 1990s in response to state budget shortfalls. The property tax shifts of the early 1990s reallocated property taxes from cities, counties, and special districts



to schools and community colleges and reduced state spending for schools on a dollar-for-dollar basis. The Legislature enacted similar shifts on a temporary basis in 2004-05 and 2005-06. Proposition 1A, approved by the voters in November 2004, severely limited the Legislature's ability to enact similar shifts in the future.¹²

In most states, school districts have the authority to adjust local property tax rates to raise the resources needed to support local schools. California's Proposition 13 capped the local property tax rate at 1 percent, and Proposition 1A of 2004 "locked in" the allocation of revenues among schools, cities, counties, and special districts.¹³ Several ballot measures, including Proposition 13 and Proposition 218 of 1996, limit school districts' ability to raise additional revenues at the local level. Proposition 218 requires local school districts to submit tax increases to the voters for approval by a two-thirds vote, except for property tax increases dedicated to repayment of school bonds, which can be approved by 55 percent of local voters.¹⁴

California's greater reliance on state dollars also reflects the impact of a series of court decisions, beginning with the 1976 California Supreme Court decision in Serrano v. Priest, which found that schools' dependence on local property taxes violated the equal protection rights of students in districts with relatively low property wealth, since the same property tax rate generated less revenue in low-property-tax-wealth districts than it did in high-property-tax-wealth districts. The state's response to these decisions established a limit on the combined state and local revenues received by a school district and used state funds to help equalize the funding available to high- and low- property-wealth districts.¹⁵

Conclusion

California's budget problems have focused attention on how the state's schools compare to rest of the US. California's schools spend fewer dollars per student and have substantially more students per school staff than schools in other states. A recent complaint filed in Alameda County Superior Court cited these data to demonstrate that the state has not fulfilled its constitutional duty to fund its education finance system sufficiently.¹⁶ Although policymakers face significant challenges to achieving budget solutions, more reductions to state education spending could widen the gap between California's spending on schools and that of the rest of the US. Given that, by some measures, California's education spending is at its lowest level in 40 years compared to the rest of the US, California's schools will face significant challenges to closing the gap even without further spending reductions.

ENDNOTES

- ¹ Unless otherwise noted, rankings and national data exclude the District of Columbia.
- ² CBP analysis of National Education Association data.
- ³ CBP analysis of National Center for Education Statistics data. Administrators include school site and district administrators. The most recent year for which National Center for Education Statistics data are available is 2007-08.
- ⁴ The K-3 Class Size Reduction Program provides school districts with incentive funds to reduce class sizes in grades K through 3 to 20 or fewer students per teacher. Districts can also receive incentive funds to reduce class sizes in ninth-grade English and in one additional ninth-grade subject through the Morgan-Hart Class Size Reduction Act adopted in 1989.
- ⁵ "Quality Counts 2010," *Education Week* (January 14, 2010), downloaded from <http://www.edweek.org/media/ew/qc/2010/17sos.h29.chance.pdf> on June 30, 2010. The federal poverty line refers to the US Census Bureau's poverty threshold.
- ⁶ National Education Association, *Rankings & Estimates: Rankings of the States 2009 and Estimates of School Statistics 2010* (December 2009), p. 92. The national average for teacher salaries includes the District of Columbia and California.
- ⁷ The CBP did not analyze National Education Association data for years prior to 1969-70.
- ⁸ CBP analysis of National Education Association data.
- ⁹ Proposition 13 limited property tax rates to 1 percent of a property's assessed value and replaced the practice of annually reassessing property at full cash value for tax purposes with a system based on cost at acquisition. Under Proposition 13, property is assessed at market value for tax purposes only when it changes ownership, and annual inflation adjustments are limited to no more than 2 percent. For a comprehensive discussion of Proposition 13, see California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997).
- ¹⁰ California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), p. 6.
- ¹¹ California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), pp. 2-3.
- ¹² The July 2009 budget agreement suspended Proposition 1A of 2004 and transferred \$1.9 billion in property tax revenues from cities, counties, and special districts to schools. This amount is a loan, which must be repaid pursuant to terms in Proposition 1A of 2004.
- ¹³ Rates above 1 percent are allowed for bond measures approved by local voters.
- ¹⁴ Proposed legislation, SCA 6 (Simitian), would change the threshold for voter approval of parcel taxes to 55 percent from the current two-thirds vote requirement.
- ¹⁵ For a discussion of the *Serrano* case and subsequent efforts to address disparities in school funding, see Paul M. Goldfinger and Jannelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California* (School Services of California, Inc.: 2008).
- ¹⁶ On May 20, 2010, a group of California students and school districts filed *Robles-Wong v. California*.

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