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Education Finance in California: Why State Revenues Matter for Schools

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JONATHAN KAPLAN, SENIOR POLICY ANALYST
A PRESENTATION TO: CALIFORNIA FEDERATION
OF TEACHERS, ANNUAL CONFERENCE
LOS ANGELES, MARCH 23, 2019

Goals of the Presentation

- Increase understanding of the state budget and how California's K-12 schools receive their funding
- Explain historical context for why state revenues matter for education funding
- Provide options for increasing state revenues and funding for education



**What comes to mind
when you think of the
state budget?**



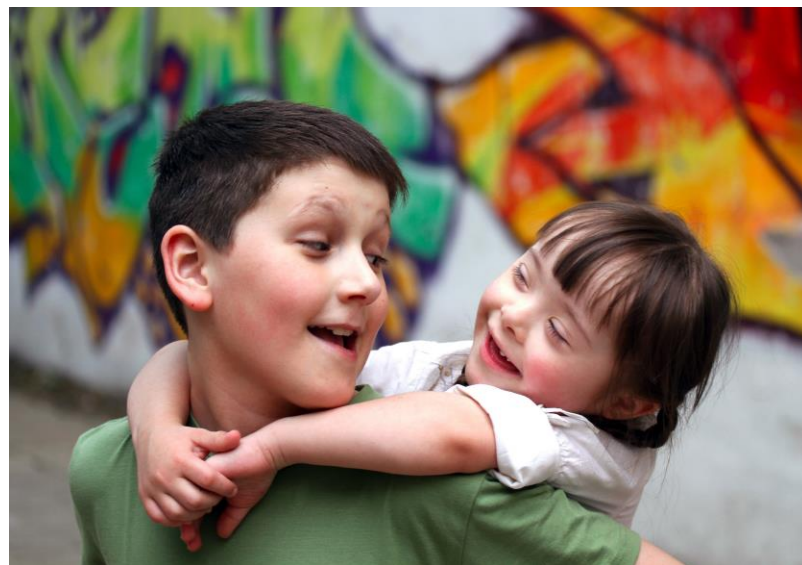






**Budgets are statements of
our values and priorities.**





Quiz Questions #1 and #2

- How much would you say you know about the state budget?
 - A lot
 - Some
 - Very littleOr
 - Nothing
- What are the top three sources of revenue for the state General Fund?

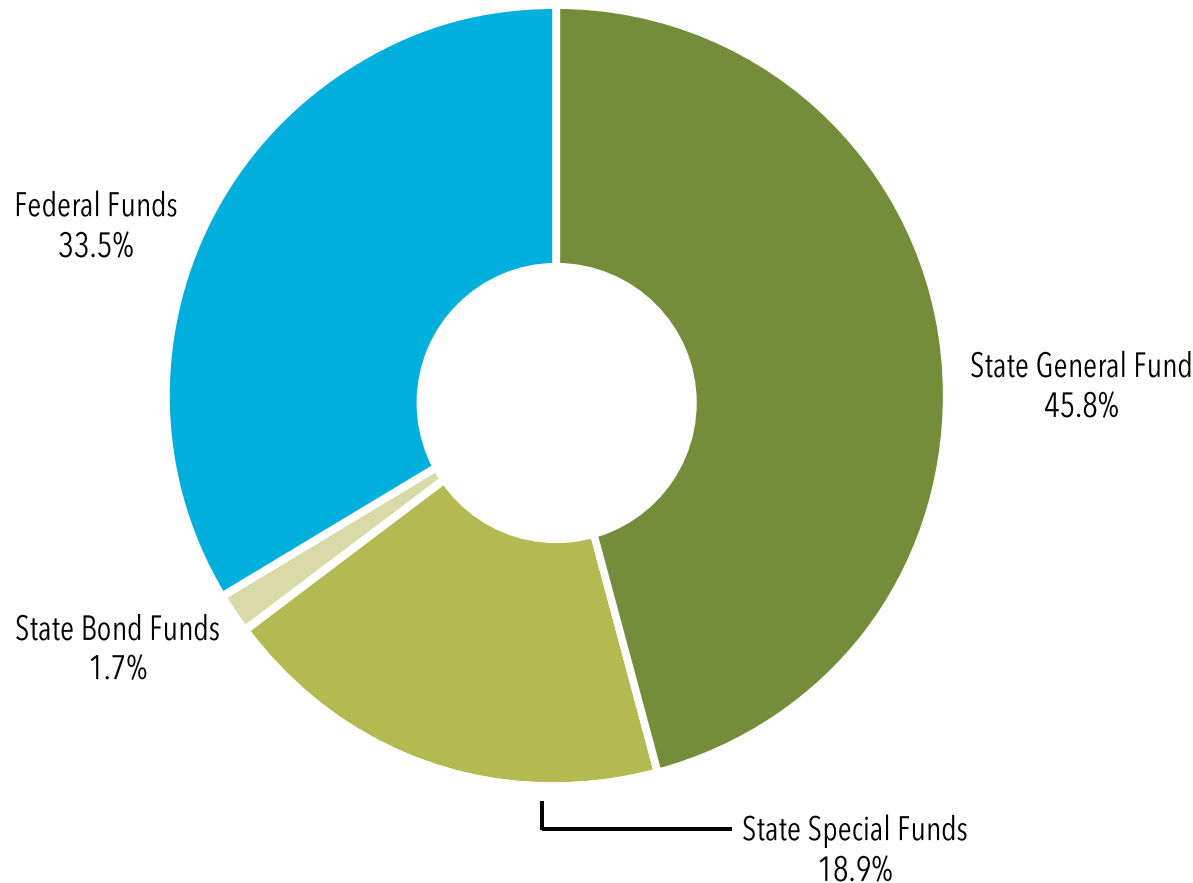


**The state budget =
state funds + federal funds.**



State Funds Account for Nearly Two-Thirds of California's State Budget

Total Proposed 2019-20 Expenditures = \$314.5 Billion

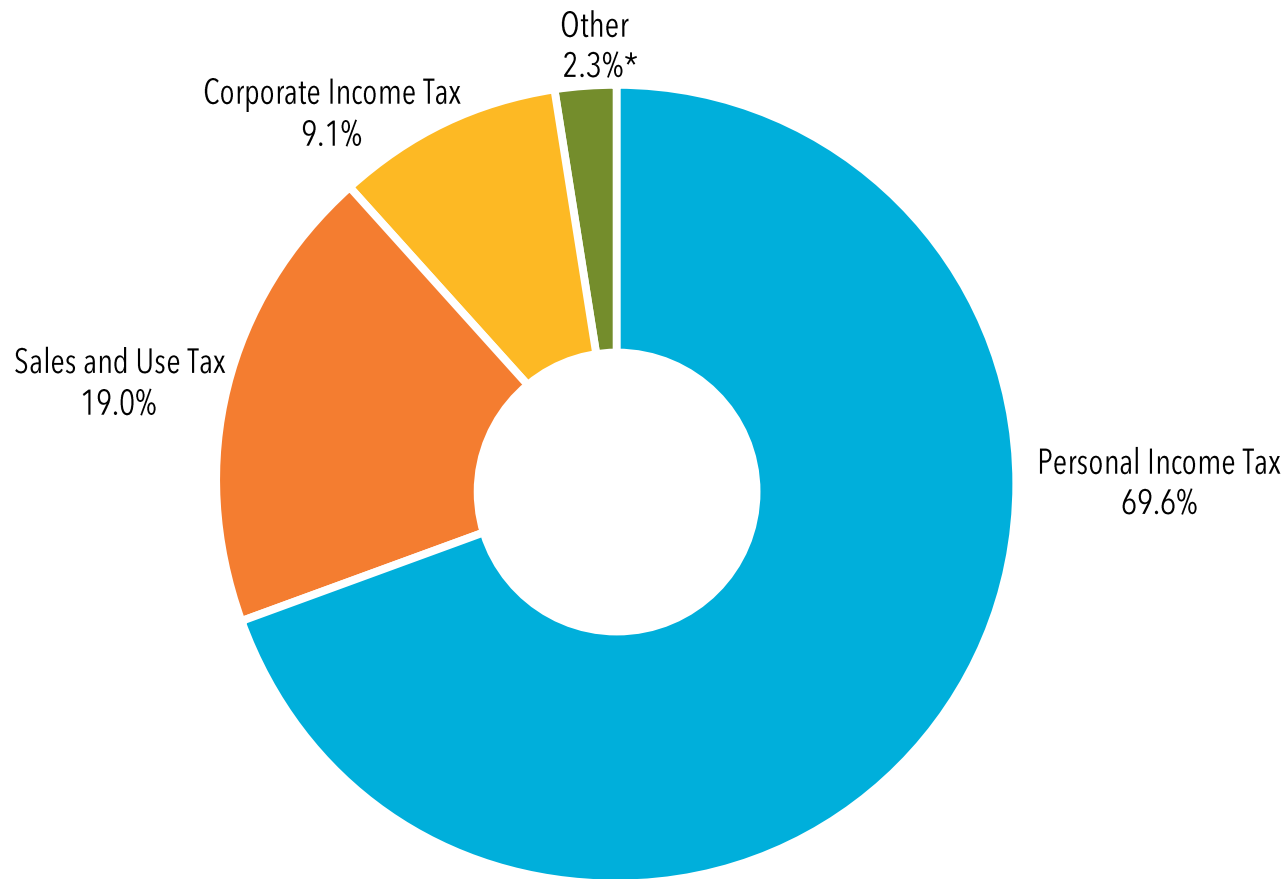


Note: Figures do not sum to 100 due to rounding.
Source: Department of Finance



The Personal Income Tax Is Projected to Account for Over Two-Thirds of California's General Fund Revenues

Projected 2019-20 General Fund Revenues = \$144.4 Billion



Note: Reflects total projected General Fund revenues before a \$1.8 billion transfer to the state's rainy day fund as required by Proposition 2 (2014).

* Includes Highway Users Taxes, Insurance Tax, Alcoholic Beverage Taxes and Fees, Cigarette Tax, Motor Vehicle Fees, and other sources of revenue.

Source: Department of Finance



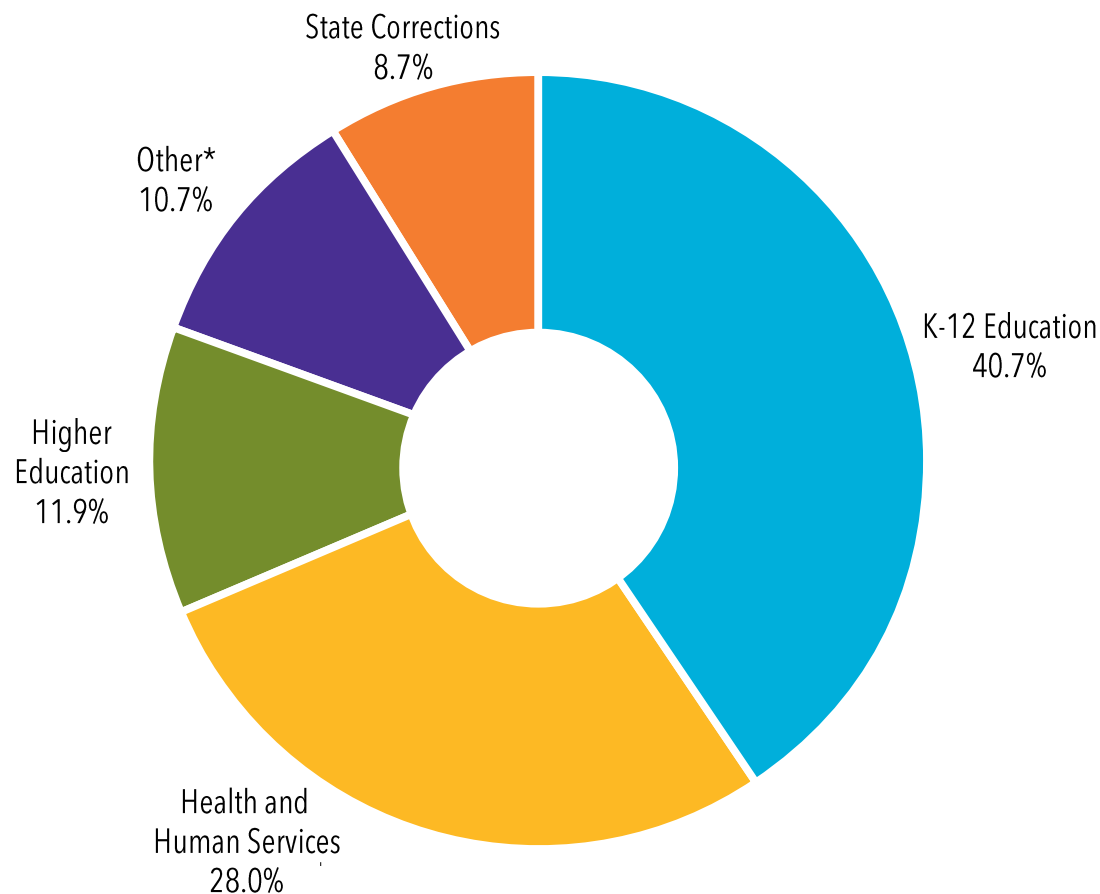
Quiz Question #3

- Which of the following represents the largest share of state General Fund spending?
 - Health and human services
 - State corrections (prisons)
 - K-12 public education
 - Higher education



K-12 Education Accounts for the Largest Share of California's General Fund Expenditures

Proposed 2019-20 General Fund Expenditures = \$144.2 Billion



* Includes General Government; Legislative, Judicial, and Executive; Natural Resources; and other state budget categories that account for relatively small shares of General Fund expenditures.
Source: Department of Finance

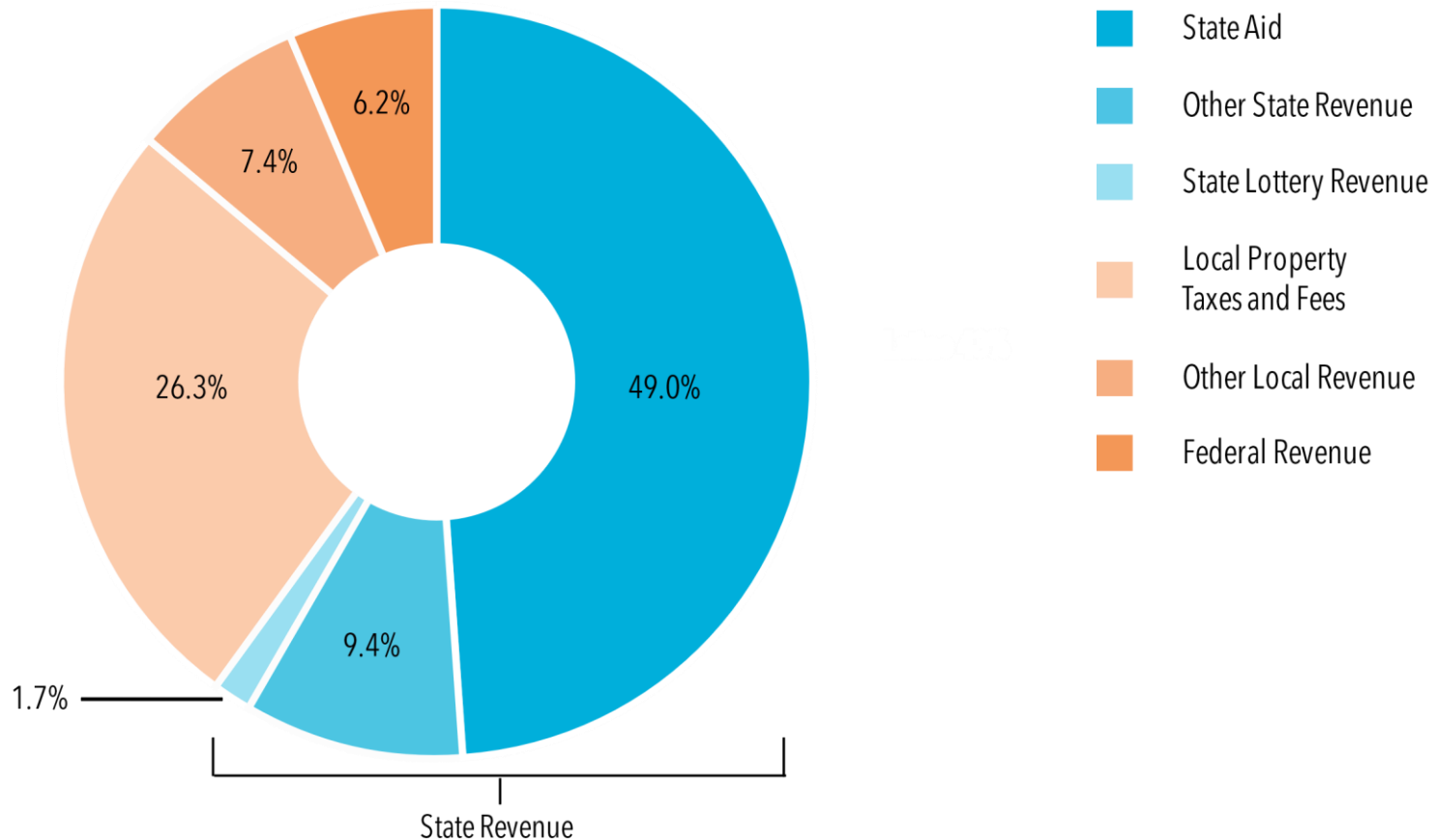


Where does the majority of K-12 education funding come from?



The Majority of K-12 Education Funding Comes From the State

Revenues for K-12 School Districts and County Offices of Education, 2017-18



Note: Excludes capital project funds, debt service funds, and other financing sources not accounted for in school districts' and county offices of education's general funds.

Source: EdData

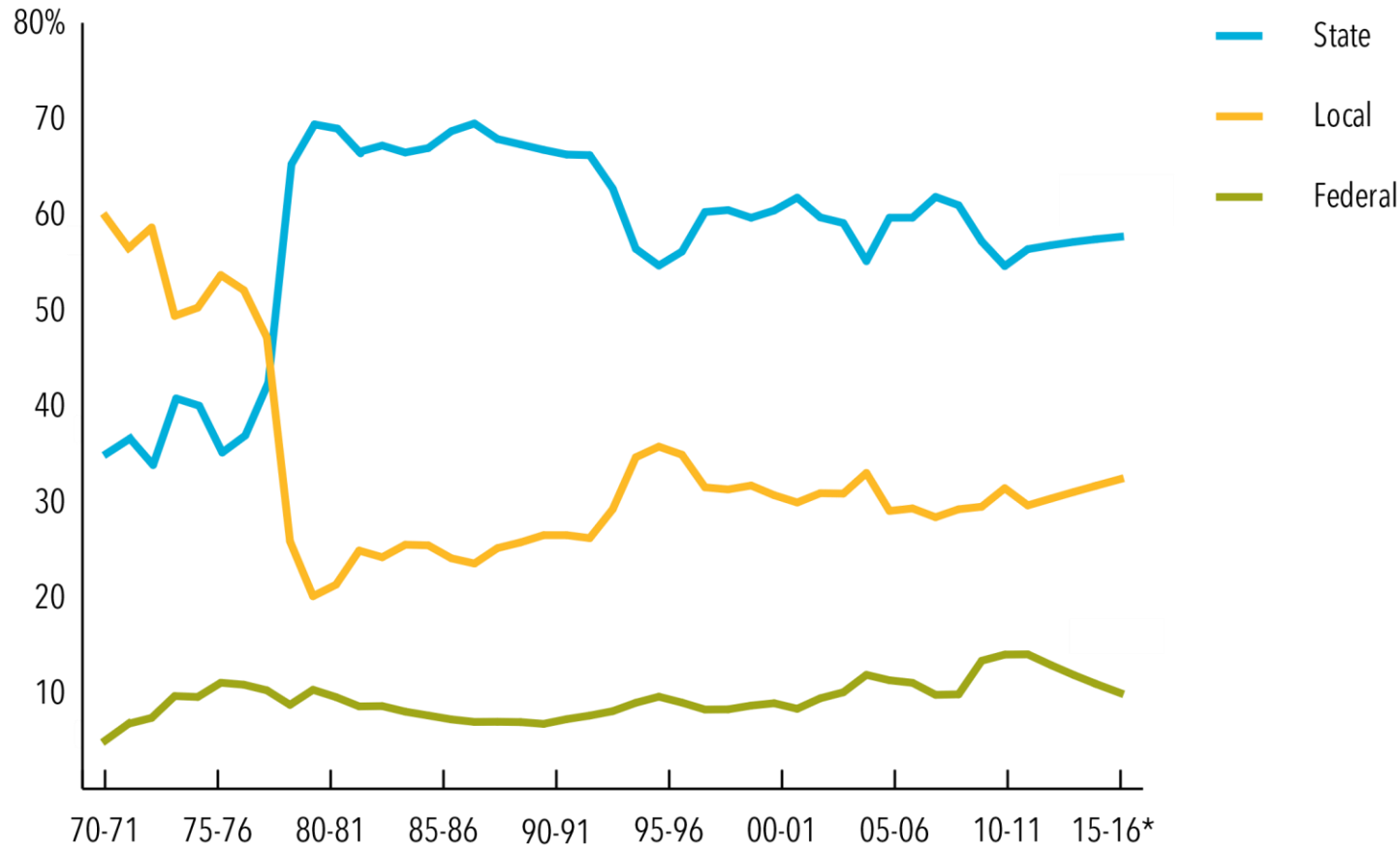


**Since Proposition 13,
California's K-12 schools have
received the majority of their
funds from the state.**



Since 1978-79, California's K-12 Schools Have Received the Largest Share of Their Funds From the State

Percentage of Total K-12 Funding



* 2014-15 and 2015-16 are estimated.
Source: National Education Association

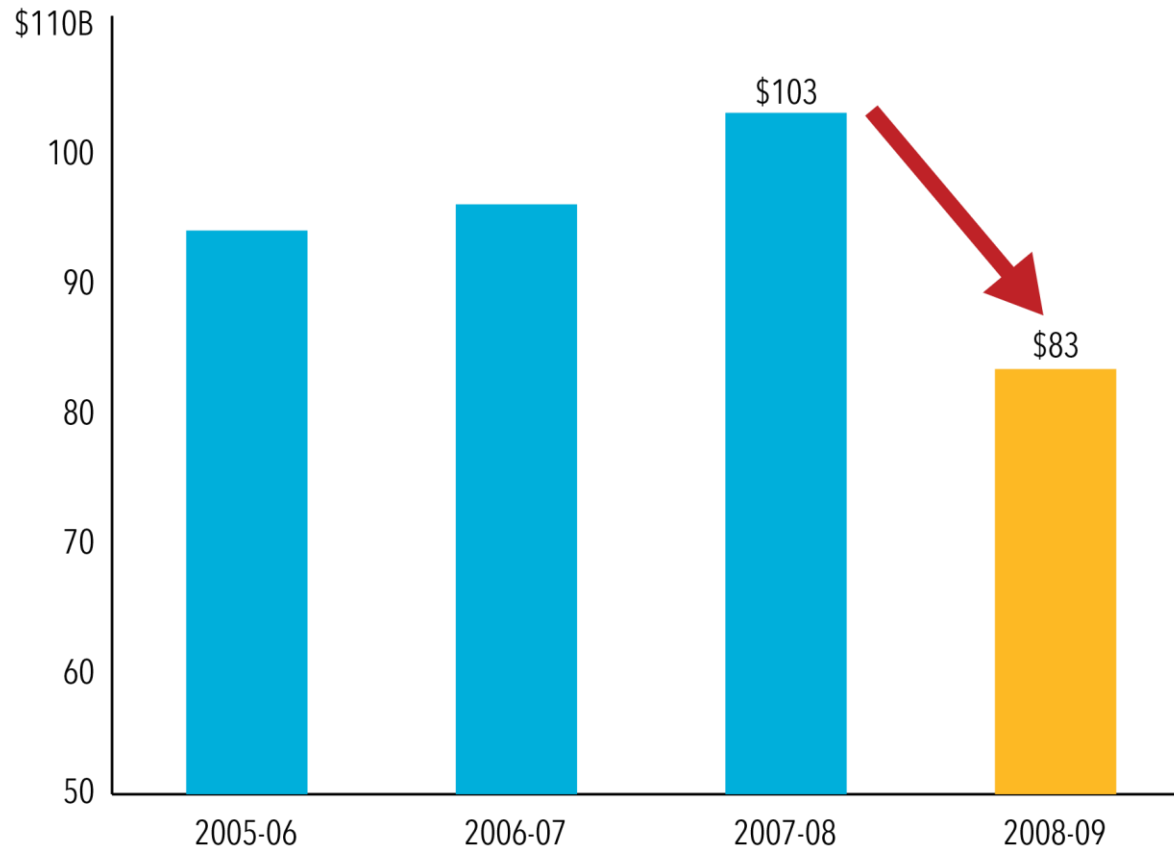


Annual state revenues matter for education funding in California.



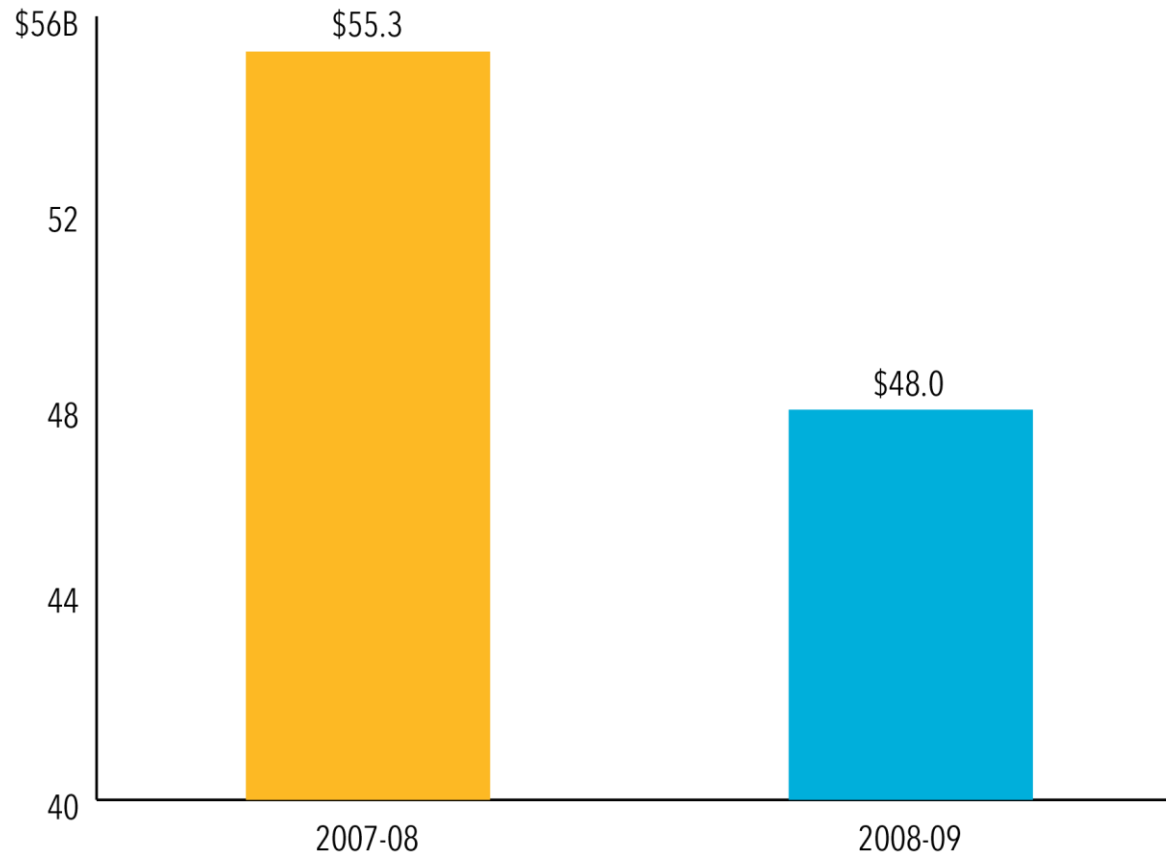
General Fund Revenues Dropped by About \$20 Billion Between 2007-08 and 2008-09

General Fund Revenues and Transfers (Dollars in Billions)



Spending for K-12 Schools and Community Colleges Fell by More Than \$7 Billion Between 2007-08 and 2008-09

Proposition 98 Spending (Dollars in Billions)



Note: Proposition 98 spending includes both state General Fund and local property tax dollars.
Source: Legislative Analyst's Office

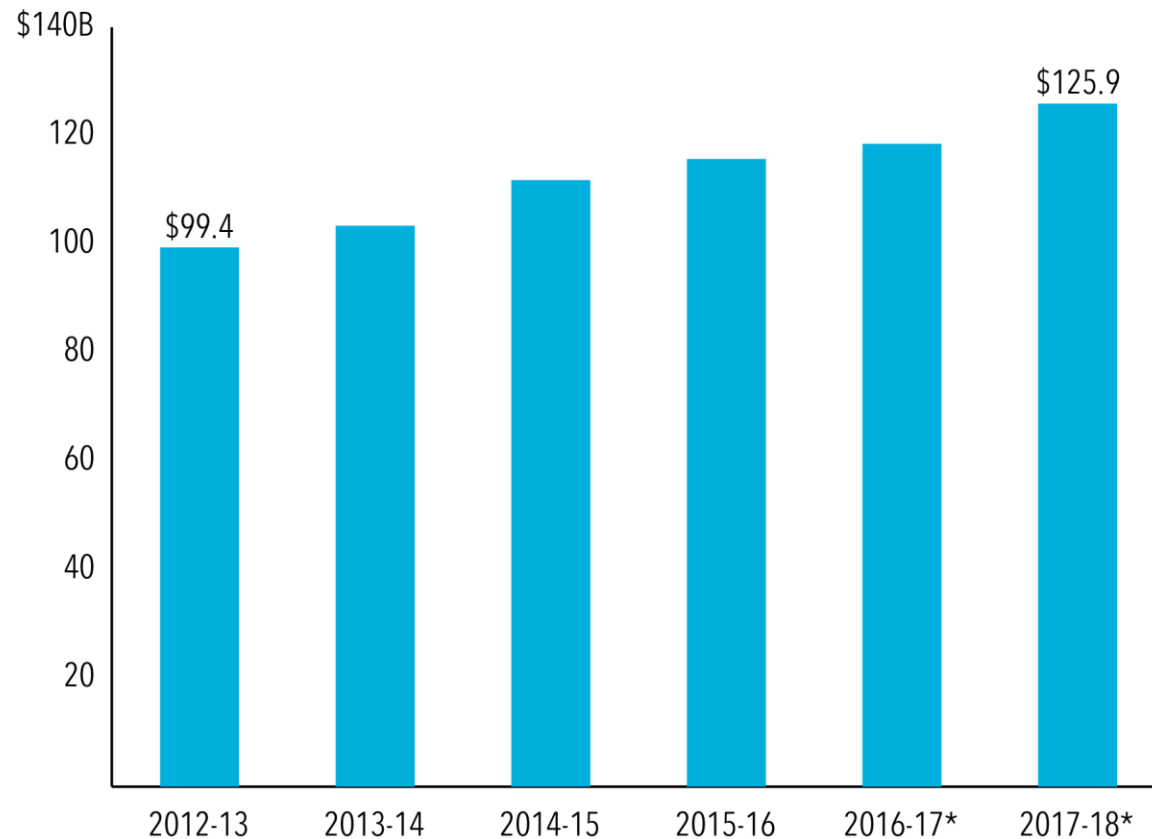


**Rising state General Fund
revenues have boosted
spending for K-12 schools
and community colleges
since 2012-13.**



State General Fund Revenues Have Increased Each Year Since 2012-13

General Fund Revenues and Transfers (Dollars in Billions)



* 2016-17 and 2017-18 are estimated.

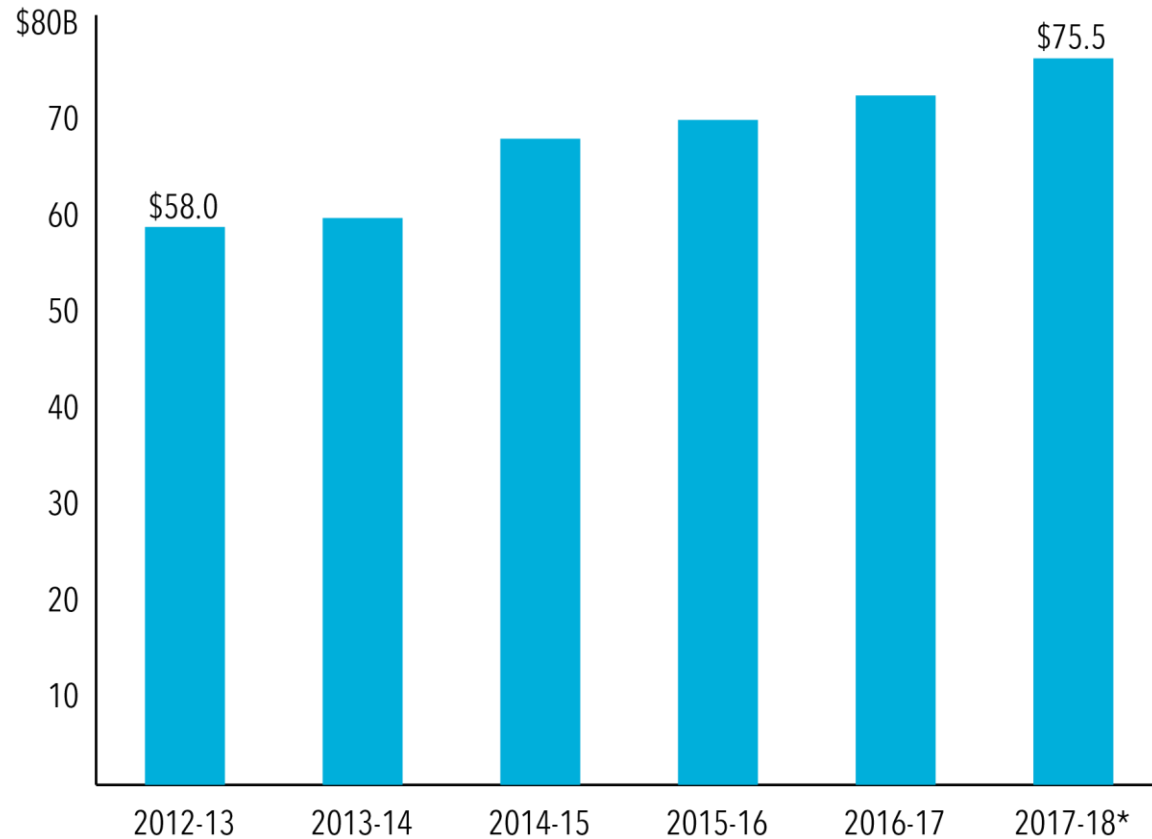
Note: Estimates reflect assumptions made by the Legislature and Governor in the 2017-18 budget package.

Source: Legislative Analyst's Office



Rising State General Fund Revenues Have Boosted Spending for K-12 Schools and Community Colleges

Proposition 98 Spending (Dollars in Billions)



* 2017-18 is estimated.

Note: Proposition 98 spending includes both state General Fund and local property tax dollars.

Source: Legislative Analyst's Office



**The California legislature can
reduce taxes with a simple
majority vote.**



The Share of Corporate Income Paid in State Taxes Fell By More Than Half Between 1980 and 2015

Corporate Taxes as a Percentage of Income for Corporations Reporting Net Income



Source: Franchise Tax Board



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**A supermajority (two-thirds)
vote is needed to approve any
tax increase.
(Prop. 26 of 2010)**

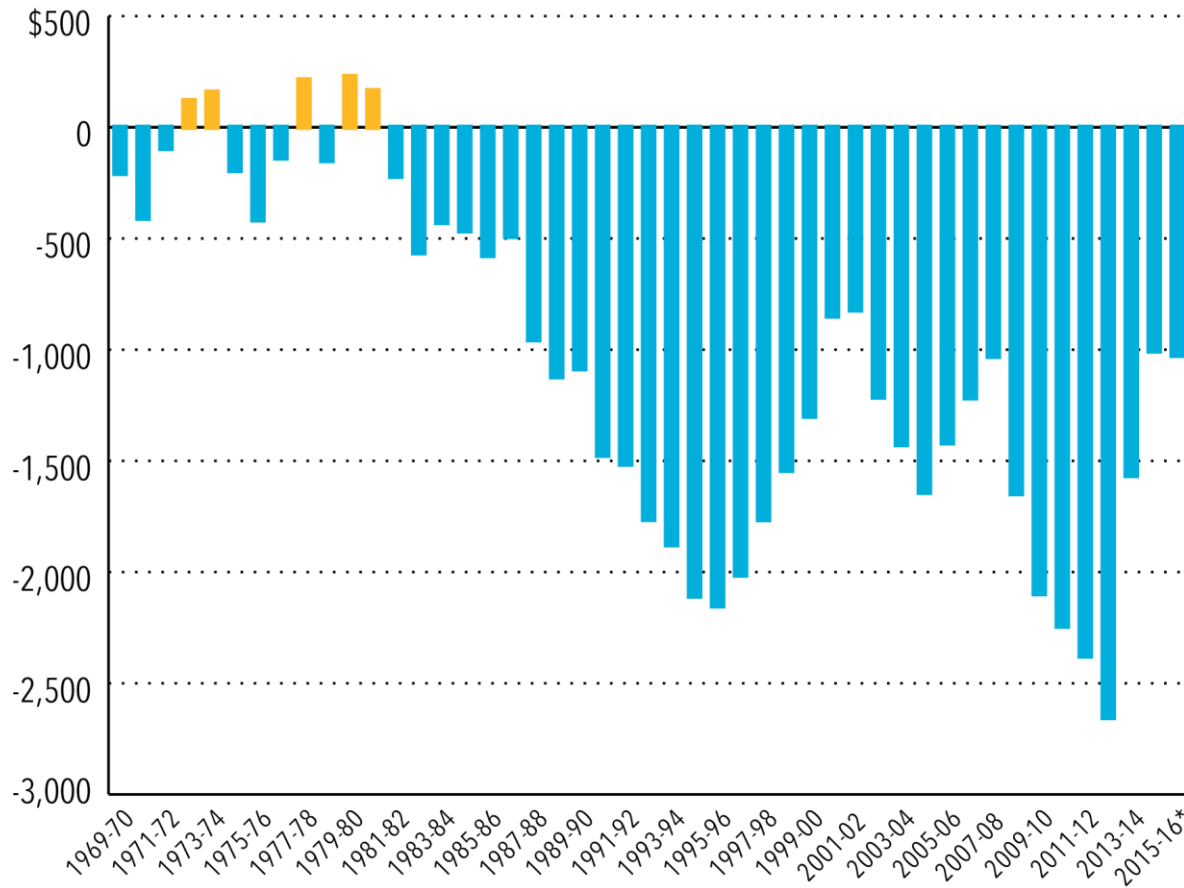


California's K-12 spending per student has lagged the rest of the US since the early 1980s.



California's K-12 Spending Per Student Has Lagged the Rest of the US Since the Early 1980s

California's K-12 Spending Per Pupil Minus K-12 Spending Per Pupil in the Rest of the US



*2014-15 and 2015-16 are estimated.

Note: Figures reflect 2015-16 dollars.

Source: National Education Association



How can California increase state revenues and funding for education?



Revenue Raising Options

- Approve The California Schools and Local Communities Funding Act
- Increase the state corporate income tax rate
- Adopt changes in federal tax law to narrow tax breaks for corporations
- Establish sunset dates and evaluation methods for tax expenditures





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1107 9th Street, Suite 310

Sacramento, California 95814

916.444.0500

jkaplan@calbudgetcenter.org

[@jkapbudget](#)

calbudgetcenter.org