

Rising to the Challenge: Why Greater Investment in K-12 Education Matters for California's Students

California's K-12 schools face a unique set of challenges. Not only does California educate more students than any other state, but economically disadvantaged students and English learners (ELs) account for a larger share of students in California than in the rest of the US. Yet, even though California has more financial resources per capita than the rest of the US, the state spends far less of its total personal income on K-12 schools. As a result, California K-12 education spending continues to lag the nation by a number of key measures. Although Proposition 30, passed by California voters in November 2012, is expected to increase state revenues and boost school spending over the next few years, this revenue measure alone will not provide California schools with sufficient resources to meet the challenges of educating the state's students.

While California's current financial support for schools falls well short of the state's capacity to invest in K-12 education, the new Local Control Funding Formula (LCFF) – approved by the Governor and the Legislature earlier this year – is an important step toward aligning state education funding with student needs. The LCFF fundamentally restructures California's education finance system and directs additional resources to disadvantaged students – specifically ELs, students from low-income families, and foster youth. How the state allocates education dollars is especially important in California, because its schools rely more heavily on state funding – and relatively less on local property taxes – than those in the rest of the US. This is largely due to the limits that Proposition 13 of 1978 imposed on the local property tax as well as policies enacted after Proposition 13 to help schools and local governments cope with the loss of local revenues. This *School Finance Facts* compares California's student demographics, education funding, and school spending and staffing to that in the rest of the US, and shows why California will need to invest more to provide a high-quality education for all students.

California's Schools Educate a Large, Diverse Student Population

California educates far more students than any other state, and has a highly diverse student population. In 2012-13, 6.2 million students enrolled in public schools in California, which is 1.1 million more students than in Texas, 3.5 million more than in Florida, 3.6 million more than in New York, and 4.1 million more than in Illinois. Latinos comprised the majority (52.7 percent) of California public school students in 2012-13, whites slightly more than one-fourth (25.5 percent), Asians 11.7 percent, and blacks 6.3 percent

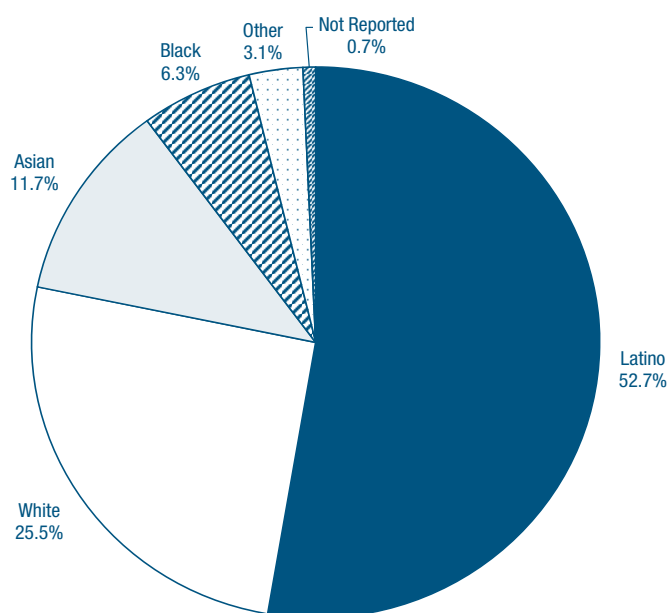
(Figure 1). The composition of students in California's schools has changed substantially during the past two decades. In 1992-93, whites comprised the largest share (43.4 percent) of California student enrollment, Latinos more than one-third (36.1 percent), Asians 11.0 percent, and blacks 8.6 percent.

California's Student Population Requires More Resources to Educate

California's schools enroll the largest share of English learners (ELs) in the US. To help pay for the additional services that ELs need to meet academic standards, the federal government allocates Title III dollars based on the number of ELs in each state.¹ Three in 10 (30.1 percent) of the nation's 4.4 million Title III beneficiaries attended a California school in 2011-12, and the state's 1.3 million ELs nearly equal the *combined* number of ELs in the next four most populous states – Texas, New York, Florida, and Illinois – even though these four states together have roughly twice as many students as California.

In addition to educating the largest share of the nation's ELs, California has a larger percentage of students from low-income families than does the rest of the US.² In

Figure 1: Latinos Comprise a Majority of Students Enrolled in California Public Schools



Number of Students Enrolled in California K-12 Public Schools in 2012-13 = 6.2 Million

Source: California Department of Education

2010-11, a majority of California's students (53.0 percent) were eligible for free or reduced-price lunches, a measure that is commonly used to compare the number of economically disadvantaged students among states (Figure 2).³ This proportion is larger than that for the rest of the US, where 46.8 percent of students were eligible for free or reduced-price lunches. Among the five most populous states, only Florida has a higher percentage of students from low-income families than California does. More than 3.3 million California students in 2010-11 came from households with incomes at or below the free and reduced-price lunch eligibility limit, which is 185 percent of the federal poverty line. This limit in 2010-11 was \$33,874 for a single parent with two children.

Research shows that ELs and students from low-income families cost more to educate.⁴ California's large number of these students means that the state needs to spend more than others to allow all students to reach state and national academic standards. However, California's school spending per student is lower than that in the rest of the US. Further, compared with other large states,

California spends far less per student than do states – such as Illinois and New York – that have smaller percentages of both ELs and economically disadvantaged students. California policymakers recently took an important step toward addressing the needs of ELs and students from low-income families by restructuring the state's education funding system and providing additional resources to school districts for these students (see text box on page 4).

California's Education Spending Continues to Lag the Nation

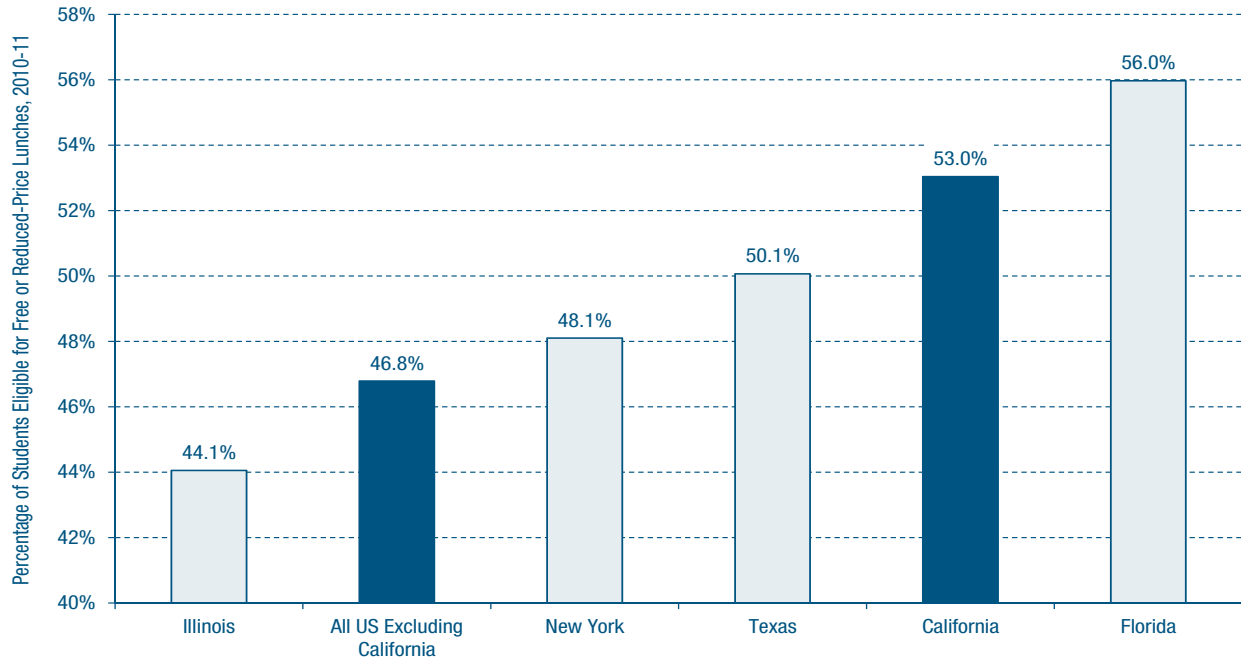
California's K-12 spending per student continues to lag the rest of the US. California's schools spent \$2,475 less per student than the rest of the US in 2012-13 (Figure 3). Compared to the other most populous states, California spent \$4,080 less per student in 2012-13 than Illinois and nearly \$6,700 less per student than New York, while spending just slightly more than both Florida (\$483 more per student) and Texas (\$880 more per student). Among all states, California ranked 44th in the nation in K-12 spending per student in 2012-13, not adjusting for regional cost differences.

California per student spending is expected to increase in the next couple of years, due in part to new revenues from Proposition 30, approved by the state's voters in November 2012. The impact of these new revenues on school spending relative to other states might be seen in the 2013-14 school year, which could potentially lift California higher in the national rankings. Still, it is important to note that most measures used to compare K-12 education spending across different states do not account for the additional resources required to educate ELs and students from low-income families. As a result, comparing California education spending to the rest of the US does not reflect the resources required to adequately educate California's diversity of students.

California's Schools Have More Students Per Staff Than Schools in the Rest of the US

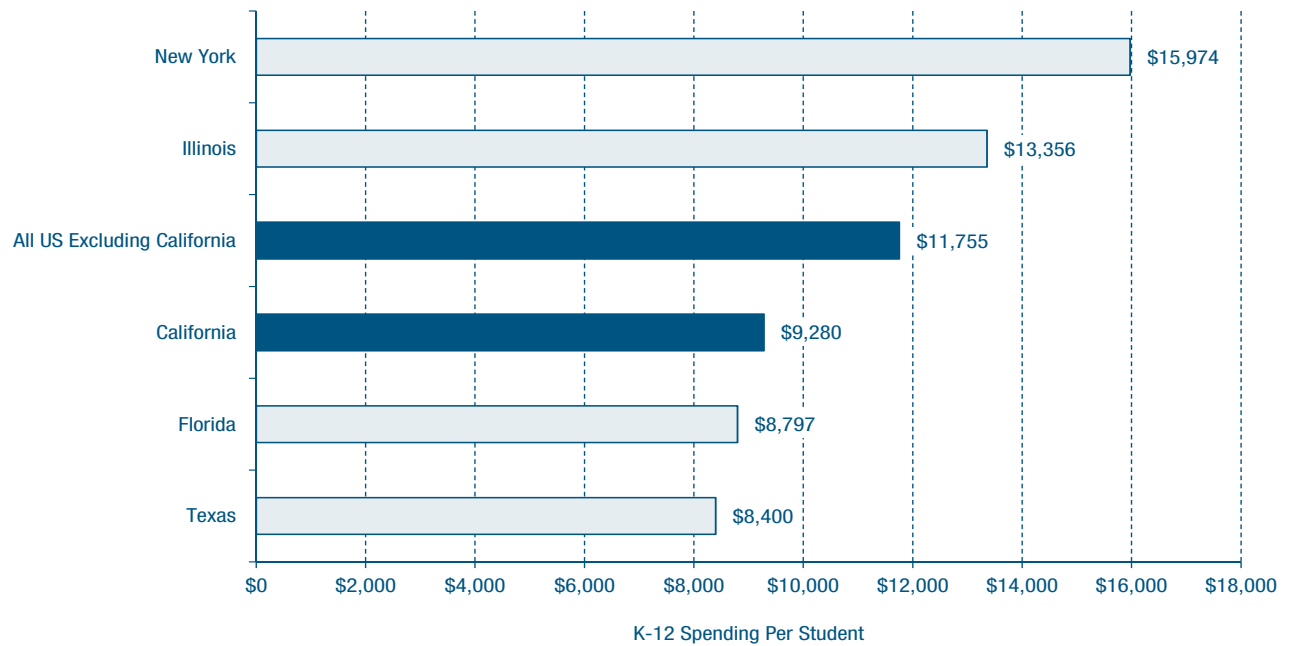
California has more students per school staff than the rest of the US, ranking last or near the bottom among all states on several key measures. The large number of students per

Figure 2: California Has a Larger Share of Students from Low-Income Families Than the Rest of the US
 Among Large States, Only Florida Has a Higher Percentage



Source: National Center for Education Statistics

Figure 3: California Spent Nearly \$2,500 Less Per Student Than the Rest of the US in 2012-13
 California Lagged New York and Illinois by Wide Margins, Was Only Slightly Above Other Large States



Note: Data are estimated.
 Source: National Education Association

adult means that California's school staff has less time than those in other states to attend to individual student needs. As a result, California's schools may be unable to provide the quality of instruction, personalized guidance, and student services that other states do. California's schools:

- **Rank 51st nationally in the number of students per teacher.** In 2012-13, California had a student-to-teacher ratio of 24.7-to-1, a level more than two-thirds (69.5 percent) higher than in the rest of the US, which had 14.5 students per teacher.⁵ The number of students per teacher in California jumped from 20.2 to 24.7 – an increase of 22.0 percent – between 2007-08 and 2012-13. This dramatic increase reversed the reductions that occurred after the state implemented the Class Size Reduction Program for grades K through three (K-3 CSR) in 1996.⁶ California reduced the financial penalties for noncompliance for schools that participate in the K-3 CSR Program in 2009, which led many schools to increase class sizes.
- **Rank 51st nationally in the number of students per guidance counselor.**⁷ California's schools had a student-to-guidance-counselor ratio of 1,016-to-1 in 2010-11, more than twice the rest of the US, which had 437 students per guidance counselor. Between 2009-10 and 2010-11, the number of students per guidance counselor in California schools jumped from 810 to 1,016 – a 25.4 percent increase – while the number of students per guidance counselor in the rest of the US remained relatively flat.
- **Rank 51st nationally in the number of students per librarian.** California's schools had a student-to-librarian ratio of 8,310-to-1 in 2010-11, more than nine times the rest of the US, which had 872 students per librarian.
- **Rank 48th nationally in the number of students per administrator.**⁸ California's schools had a student-to-administrator ratio of 334-to-1 in 2010-11, compared to 205 students for each administrator in the rest of the US. California's relatively high number of students per administrator runs counter to a common misperception that the state's schools have large administrative staffs.

California's New School Funding Formula Directs Additional Resources to Disadvantaged Students

As part of the 2013-14 budget agreement, Governor Brown signed legislation that fundamentally restructures how the state provides dollars to schools. The state's new Local Control Funding Formula (LCFF) makes California's education finance system more transparent and rational. The LCFF also intends to fund schools more equitably than they were in the past by allocating dollars to school districts based on student needs.⁹ Under the new formula, all California school districts receive a "base grant" per student based on each student's grade level. The LCFF also provides each school district a "supplemental grant" – equal to 20 percent of the base grant – for its unduplicated number of English learners, foster youth, or students from low-income families. In addition, the LCFF provides a "concentration grant" – equal to 50 percent of the base grant – for the unduplicated number of these disadvantaged students above 55 percent of school district enrollment.

The LCFF is an important step toward aligning state dollars with student needs. However, it was not intended to provide, or determine, an adequate funding level for schools. The LCFF establishes a target funding level for all school districts, and meeting these targets will cost significantly more than the state currently provides. The Legislative Analyst's Office estimates that to fully implement the LCFF in 2013-14 would have cost \$18 billion more than the state spent on K-12 schools in 2012-13. While it is unclear when the state will have adequate resources to provide this level of school funding, the Department of Finance estimates that funding for schools will not be sufficient to fully implement the LCFF until 2020-21. Ultimately, the timeline for LCFF implementation will be determined by whether – and by how much – state revenue increases over the next several years as well as the level of funding the Legislature provides for the LCFF.

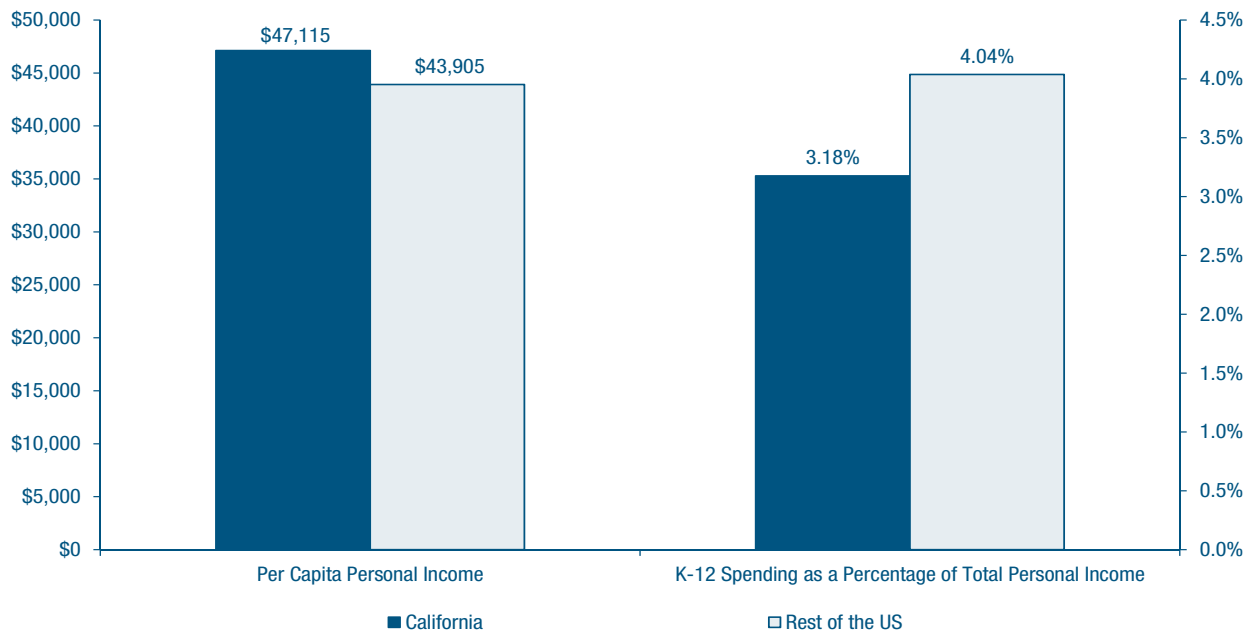
California Has Greater Financial Resources Than the Rest of the US, but Spends a Smaller Share on K-12 Schools

California's financial support for schools lags its capacity. California spends a smaller share of its total personal income on K-12 schools than does the rest of the US, despite having more personal income per capita. In 2012-13, California's per capita personal income (PCPI) – a measure of the financial resources available to help support schools and other public systems and services – was \$47,115, while PCPI in the rest of the US was \$43,905 (Figure 4). Despite the state's greater financial resources, California's spending on K-12 schools equaled 3.18 percent of total personal income, ranking 46th in the nation in 2012-13, while education spending in the rest of the US was 4.04 percent of personal income – more than one-fourth (27 percent) higher than in California. To reach the same share of personal income that the rest of the US spends on education, California would have had to spend an additional \$15.4 billion on K-12 schools in 2012-13, approximately \$400 more per state resident.

School Funding in California Relies Heavily on State Dollars

California schools, on the whole, rely on the state budget for a majority of their dollars. In 2012-13, California schools received 57.0 percent of their dollars from the state and slightly less than one-third (32.3 percent) from local sources, primarily local property taxes. In contrast, schools in the rest of the US received roughly an equal proportion of their funds from the state and from local sources – 44.3 percent and 45.7 percent, respectively.¹⁰

Figure 4: Compared to the Rest of the US, California Had Greater Financial Resources, But Spent a Smaller Share on Schools in 2012-13



Note: Data are estimated.
Source: National Education Association, US Bureau of Economic Analysis, and US Census Bureau

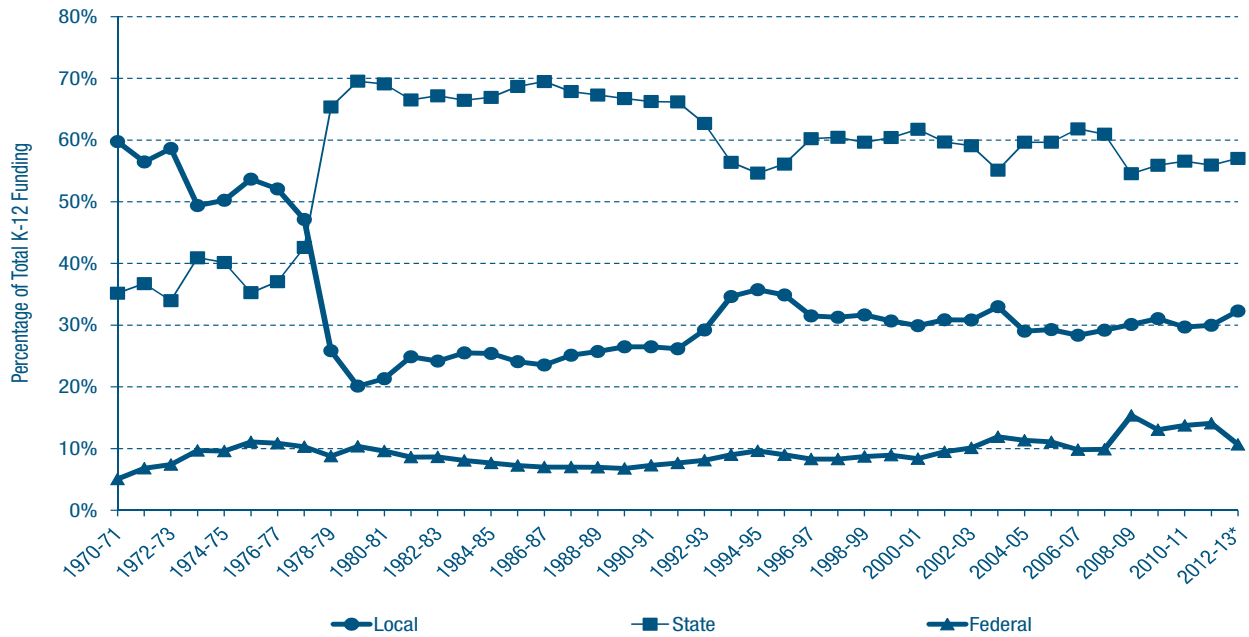
California schools' heavy reliance on the state budget dates back to 1978, when Proposition 13 fundamentally changed how schools receive their revenue.¹¹ In 1977-78, immediately prior to the passage of Proposition 13, local revenues provided nearly half (47.1 percent) of the funding for California's public schools. By the early 1980s, local sources provided about one out of every four dollars received by public schools (Figure 5). The shift away from California schools' historic reliance on local dollars reflects state legislation aimed at cushioning the impact of Proposition 13 on local governments. Proposition 13 resulted in a 53 percent drop in property tax collections, which are distributed to schools and local governments.¹² After voters approved Proposition 13, the Legislature sought to bolster local government finances by shifting property tax revenues from schools and community colleges to cities, counties, and special districts. The state, in turn, increased funding for schools and community colleges.¹³

California schools' greater reliance on state dollars also reflects the impact of a series of court decisions, most notably the 1976 *Serrano v. Priest* California Supreme Court decision. In *Serrano*, the court 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.¹⁴

How Are California's School Dollars Spent?

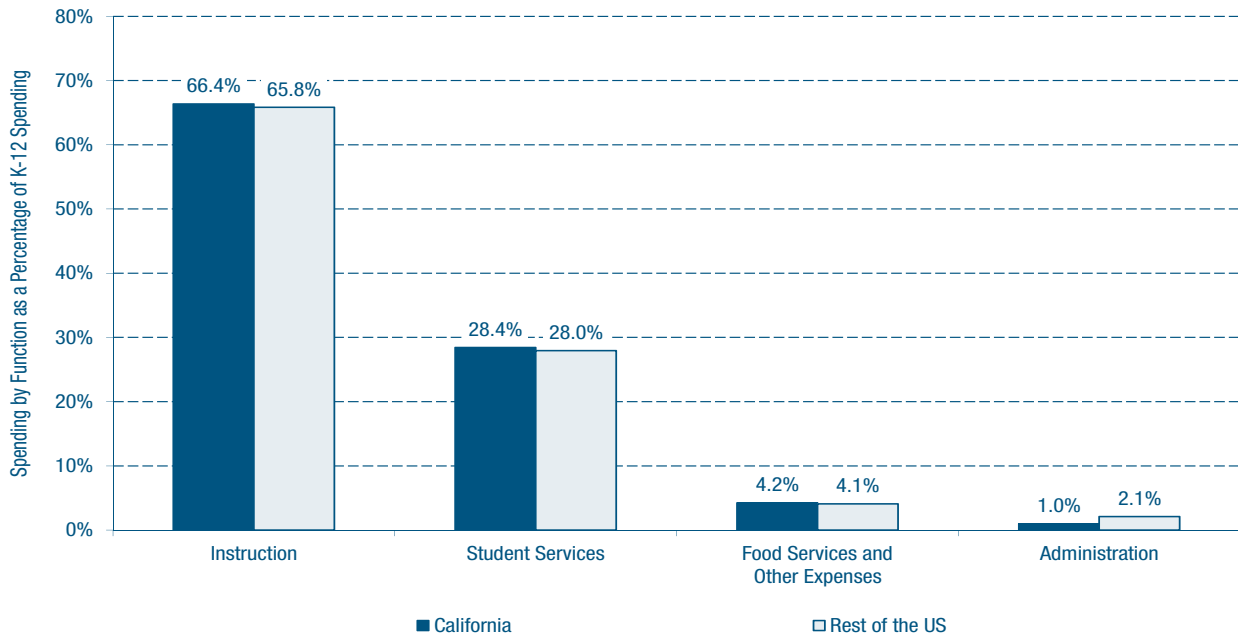
California spends a larger share of its education dollars on instruction and student services than do schools in the rest of the US.¹⁵ In 2010-11, California's schools spent 94.8 cents of each education dollar on instruction and student services, while schools in the rest of the US spent 93.8 cents on the same functions (Figure 6). In contrast, California's schools spent 5.2 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 on the same functions. California's relatively high level of classroom spending is consistent with the fact that teacher salaries are higher, on average, in California – \$69,324 in 2012-13 – than those in the nation as a whole (\$56,383), reflecting California's cost of living, particularly higher housing costs.¹⁶

Figure 5: Since 1978-79, California's K-12 Schools Have Received a Larger Share of Their Funds From the State and a Smaller Share From Local Property Tax Revenues



* 2011-12 and 2012-13 estimated.
Source: National Education Association

Figure 6: California's K-12 Schools Spent a Larger Share on Instruction and Student Services Than Did Schools in the Rest of the US in 2010-11



Note: K-12 spending does not include capital outlay expenditures or interest on long-term debt.
Source: National Center for Education Statistics

Conclusion

California has more financial resources, but spends less on K-12 schools compared with the rest of the US. Moreover, California's students require more resources to educate, in part because the state enrolls the largest share of ELs in the nation and has a higher percentage of students from low-income families than does the rest of the US. By aligning state dollars with student needs, California's new Local Control Funding Formula will help boost schools' capacity to educate the state's diverse student population. However, California K-12 education spending continues to lag the nation by a wide margin, and its schools have substantially more students per school staff than do schools in the rest of the US. While Proposition 30 is expected to increase state education spending over the next few years, its tax increases expire at the end of 2018, and they alone will not provide California's schools with the resources needed to educate the state's students. To meet the challenge of providing California's students a high-quality education, the state would need to invest more of its financial resources in public schools.

Jonathan Kaplan prepared this School Finance Facts. The California Budget Project was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

- ¹ Title III of the Elementary and Secondary Education Act (ESEA) provides funds to states based on their number of English learners (ELs), including immigrant children and youth. This *School Finance Facts* uses Title III recipients to compare the number of ELs in the US because federal law requires the US Department of Education to choose the most accurate, up-to-date data to determine the number of ELs in each state for the purpose of allocating Title III grants.
- ² Unless otherwise noted, "rest of the US" includes the District of Columbia and excludes California.
- ³ This *School Finance Facts* uses National Center for Education Statistics (NCES) data to make national comparisons of the percentage of students eligible for free or reduced-price lunches, which includes prekindergarten through grade 12.
- ⁴ Jennifer Imazeki, *Assessing the Costs of K-12 Education in California Public Schools* (Institute for Research on Education Policy and Practice: December 2006), p. 10.
- ⁵ CBP analysis of National Education Association data.
- ⁶ As established in 1996, the K-3 Class Size Reduction (CSR) Program provided school districts with incentive funds to reduce class sizes in grades kindergarten through three to 20 or fewer students per teacher. Penalties for noncompliance with class size limits under the K-3 CSR Program were reduced from 2008-09 through 2013-14. As part of the 2013-14 budget agreement, school districts will continue to receive additional dollars as a percentage of their Local Control Funding Formula (LCFF) base grant if they make progress toward maintaining an average class of no more than 24 students for each school site in grades kindergarten through three, unless a collectively bargained alternative is implemented.
- ⁷ CBP analysis of NCES data. The most recent year for which NCES data are available is 2010-11.
- ⁸ Administrators include school-site and district administrators.
- ⁹ The LCFF also allocates funding to charter schools and county offices of education.
- ¹⁰ In 2012-13, federal dollars accounted for 10.7 percent of California school funding and 10.0 percent of the funds received by schools in the rest of the US.
- ¹¹ 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 more comprehensive discussion of Proposition 13, see California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997).
- ¹² California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), p. 6.
- ¹³ California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), pp. 2-3.
- ¹⁴ 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).
- ¹⁵ Instruction includes activities dealing directly with the interaction between teachers and students. Student services include school-site administration, transportation, and operation and maintenance.
- ¹⁶ National Education Association, *Rankings & Estimates: Rankings of the States 2012 and Estimates of School Statistics 2013* (December 2012), p. 92. The national average for teacher salaries includes the District of Columbia and California.