CALIFORNIA BUDGET PROJECT

budget brief

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K-12 EDUCATION IN THE GOVERNOR'S PROPOSED 2014-15 BUDGET: INCREASED REVENUES BOOST FUNDING FOR SCHOOLS

This is the latest in a series of briefs from the California Budget Project examining key components of Governor Brown's proposed 2014-15 budget, released earlier this month. This *Budget Brief* discusses how higher revenues have boosted funding for California's K-12 schools – increasing spending per student to nearly the pre-recession level – and how the Governor's proposal would increase support provided through the state's new school funding formula. Over the long term, however, additional revenues will be necessary to make essential investments in California's students and their families.

Spending Per Student Increases, Nearly Returning to the Pre-Recession Level

California's public schools serve 6.2 million students in more than 1,000 school districts. The Proposition 98 guarantee, which is designed to ensure a minimum level of funding for California's schools and community colleges, did not prevent deep cuts to state spending for schools during the Great Recession and its aftermath.[1] In response to sizeable budget shortfalls, lawmakers reduced the state's annual Proposition 98 spending level for schools by more than $7 billion – or nearly 15 percent – between 2007-08 and 2011-12. As a result, spending per K-12 student – after adjusting for inflation – dropped from $9,261 in 2007-08 to $7,401 in 2011-12, a decline of $1,860 (Figure 1).

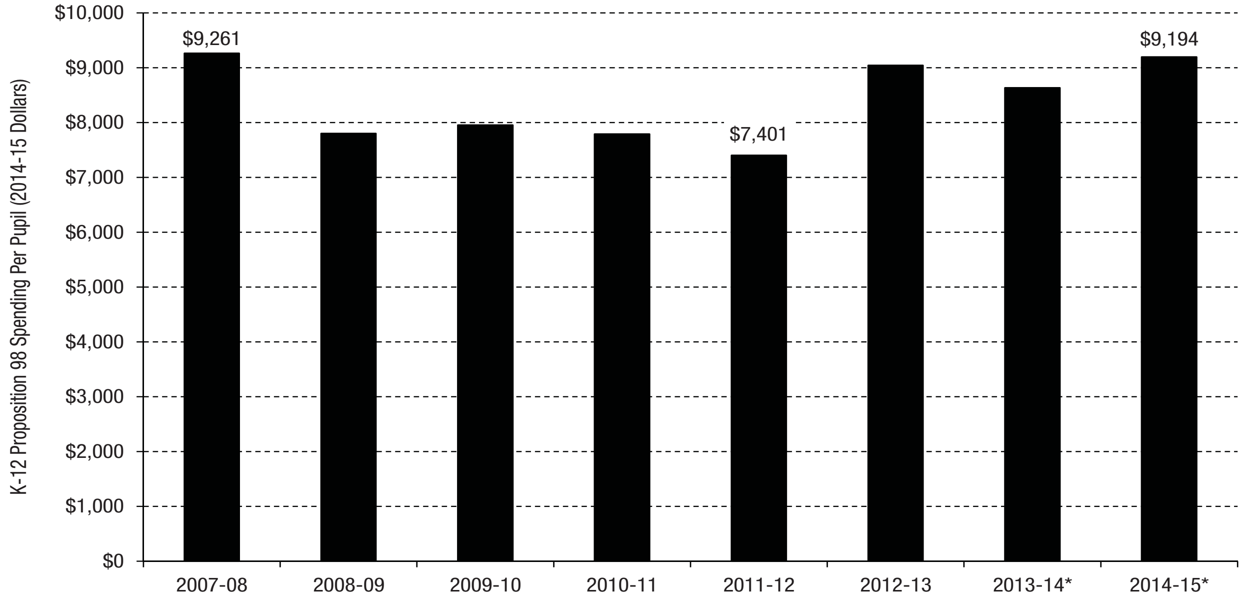
State revenues have increased during the past few years due to a recovering economy and voter approval of two revenue measures – Propositions 30 and 39 – in November 2012. Higher revenues have, in turn, boosted the Proposition 98 guarantee. The Governor's proposed 2014-15 budget includes Proposition 98 spending per K-12 student of nearly $9,200, an increase of almost $1,800 – or nearly one-quarter (24.2 percent) – from 2011-12, after adjusting for inflation. With this significant increase, spending per student would nearly return to where it was before the recession.

The Governor's Proposed Budget Increases Support Provided Through the State's New Education Funding Formula

State policymakers restructured the state's education finance system last year in an effort to make it more transparent, rational, and equitable. The Local Control Funding Formula (LCFF) aligns state dollars with student needs, in particular by directing additional resources to disadvantaged students – English learners, students from low-income families, and foster youth. The LCFF establishes a target funding level for each California school district, which reflects uniform base grants per student for four grade spans – kindergarten through 3rd, 4th through 6th, 7th and 8th, and 9th through 12th – and additional per student grants based on each district's number of disadvantaged students. In 2013-14, approximately 85 percent of school districts received LCFF grant amounts below their target funding levels – leaving a gap that additional state funding must close for the LCFF to be fully implemented.[2]

The Governor's proposed 2014-15 budget provides an increase of $4.5 billion to fund LCFF grants for K-12 school districts and county offices of education. These dollars would close an estimated 28 percent of the remaining gap between school

Figure 1: Spending Per Student Would Increase in 2014-15 Due to Higher Revenues, Nearly Returning to the 2007-08 Level, After Adjusting for Inflation



* 2013-14 estimated and 2014-15 proposed.
Note: Excludes child care and includes preschool spending. Proposition 98 spending reflects both state General Fund and local property tax dollars.
Source: Legislative Analyst's Office

districts' 2013-14 funding levels and their LCFF funding targets. While Governor Brown has indicated that the state would provide sufficient funding to fully implement the LCFF by 2020-21, the Legislative Analyst's Office recently forecasted that it would take a few additional years for the state to provide the dollars school districts need to reach their LCFF targets.[3]

Making the Necessary Investments in California's Students Will Require Additional Revenues

Proposition 30 – approved by voters in November 2012 – is one reason for the boost in 2014-15 school funding. However, some Proposition 30 revenues will expire at the end of 2016, with the remainder scheduled to expire at the end of the 2018 tax year, which could reduce funding available to support schools. The scheduled expiration of Proposition 30's tax increases – coupled with the fact that California's schools spent one-fifth less per student in 2012-13 than the rest of the US as a whole – underscores the need to work toward a long-term approach for state revenues that ensures robust, sustained investments not only in K-12 schools, but also in key public services and systems that support children and their families.[4] California has greater financial resources than the rest of the US, as measured by per capita personal income.[5] The state will need to effectively draw on these resources if it is going to rise to the challenge of providing all students with a high-quality education, which is a key building block for California's future prosperity.

ENDNOTES

1. For an explanation of the Proposition 98 guarantee, see California Budget Project, *School Finance in California and the Proposition 98 Guarantee* (April 2006).
2. The remaining school districts already receive the highest levels of per pupil funding and therefore met their LCFF funding targets in 2013-14.
3. Legislative Analyst's Office, *The 2014-15 Budget: California's Fiscal Outlook* (November 2013), p. 35.
4. The most recent per student spending data are from the National Education Association (NEA) and reflect current expenditures for elementary and secondary schools. NEA per student spending data do not adjust for regional cost differences.
5. See California Budget Project, *Rising to the Challenge: Why Greater Investment in K-12 Education Matters for California's Students* (October 2013), p. 4.

Jonathan Kaplan prepared this Budget Brief*. The CBP 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.*