Education Finance in California: Why State Revenues Matter for Schools

@jkapbudget
@CalBudgetCenter

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 little
  Or
  - 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

Federal Funds 33.5%
State General Fund 45.8%
State Bond Funds 1.7%
State Special Funds 18.9%

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


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)

Source: Legislative Analyst's Office
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
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