The Gap Between California’s K-12 Spending and That in the Rest of the US Has Narrowed Since 2012-13

California’s K-12 school spending has increased since voters approved Proposition 30’s tax increases in November 2012. Partly as a result, California now ranks 29th among all states and the District of Columbia in spending per student, up from 42nd two years ago.1 While ranking per pupil spending is a common way of comparing states’ investment in K-12 schools, this approach fails to take into account differences in states’ wealth and thus provides an incomplete picture of state support for K-12 education.

An alternative approach is to compare K-12 education spending relative to the size of each state’s economy, as reflected by the personal income received by residents in each state.2 Accounting for the size of states’ economies, and therefore the financial resources available to support schools and other public systems and services, provides a more meaningful comparison of school spending in California to that in the rest of the US.

- The gap between California’s K-12 school spending – as a share of the state’s economy – and that in other states widened substantially between 2001-02 and 2012-13. California school spending equaled 3.88% of state personal income in 2001-02, compared to 4.04% in the rest of the US, a gap of just 0.16 of a percentage point. However, by 2012-13 the gap had increased to 0.89 of a percentage point, larger than at any time in the past 45 years.

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K-12 Spending as a Percentage of Personal Income

* 2013-14 and 2014-15 are estimated.
Source: Department of Finance, National Education Association, and US Bureau of Economic Analysis
This gap has narrowed since 2012-13. California school spending equaled 3.07% of state personal income in 2012-13, compared to 3.96% in the rest of the US. This 0.89 percentage-point gap narrowed by more than half, to 0.40 of a percentage point, by 2014-15. Yet, even as California has narrowed the gap in school spending since 2012-13, the gap is still more than twice as large as it was in 2001-02. To reach the level of the rest of the US, California would have had to spend an additional $7.8 billion on K-12 education in 2014-15, an increase of 11.3%.

Proposition 30 boosts state revenues and, in turn, provides additional school funding, but revenue from Proposition 30 is set to decline after 2015-16. Proposition 30 raised the state sales tax rate through 2016 and personal income tax rates on high-income taxpayers through 2018. Proposition 30 will raise a projected $7.9 billion in state fiscal year 2014-15 and $8.0 billion in 2015-16. However, Proposition 30 revenues will decline after 2015-16, the last year its provisions will be fully in effect.

1 See California Budget & Policy Center, Proposition 30 Has Increased California’s K-12 School Spending (March 2015).
2 State personal income is estimated by the US Bureau of Economic Analysis (BEA). California personal income was $1.9 trillion in 2013-14, according to BEA estimates.