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

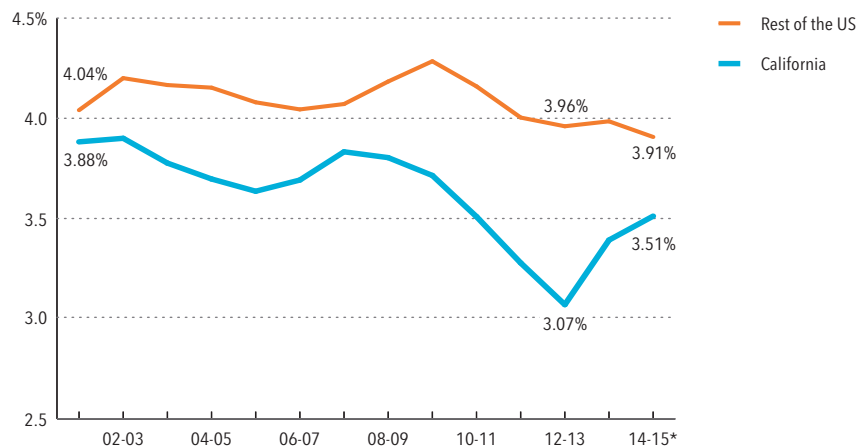
California's K-12 school spending has increased since voters approved Proposition 30's tax increases in November 2012. Partly as a result, California now ranks 29th among all states and the District of Columbia in spending per student, up from 42nd two years ago.¹ While ranking per pupil spending is 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.