

## A Decade of Disinvestment: California Education Spending Nears the Bottom

A decade of disinvestment has left California’s spending for public schools lagging the nation by a number of measures. The Proposition 98 guarantee, designed to ensure a minimum level of funding for California’s schools and community colleges, has not prevented significant cuts to the resources available to schools. Lawmakers have repeatedly cut state spending in recent years in response to the dramatic decline in revenues caused by the most severe economic downturn since the 1930s. As a result, 2010-11 estimated General Fund spending was lower as a share of the state’s economy than in 35 of the prior 40 years. Recent cuts have reversed longstanding policies and have left public systems and programs ill-equipped to cope with the ongoing impact of the Great Recession and the challenges of a growing population and an ever-more-competitive global economy.

California public schools, unlike those in many other states, receive a majority of their dollars from the state budget, and the largest share of state spending supports K-12 schools. As California cut spending for schools to help close perennial state budget shortfalls, the gap between California spending for education and that in the rest of the US widened. While federal dollars provided by the American Recovery and Reinvestment Act of 2009 (ARRA) helped schools fill budget gaps that resulted from state cuts to education spending, resources available to California schools dropped to historic lows relative to the rest of the US by the end of the decade. This *School Finance Facts* compares state and local spending on public schools in California with the rest of the US and shows that California’s education spending ranks near the bottom according to several measures.

### California’s Education Spending Nears the Bottom

Spending by California’s public schools is among the lowest of the 50 states.<sup>1</sup> California schools:

- Ranked 46th among the 50 states in K-12 spending per student in 2010-11 (Table 1). California schools spent \$2,856 less per student than the rest of the US that year. To reach the level of the rest of the US, California would have had to spend an additional \$17.3 billion on education, an increase of 32.1 percent.
- Ranked 47th in education spending as a percentage of personal income –

	California Rank	California	Rest of US
K-12 Spending Per Student (2010-11)*	46	\$8,908	\$11,764
K-12 Spending as a Percentage of Personal Income (2010-11)*	47	3.27%	4.29%
Number of K-12 Students Per Teacher (2010-11)*	50	20.5	13.8
Number of K-12 Students Per Guidance Counselor (2009-10)	49	810	433
Number of K-12 Students Per Librarian (2009-10)	50	5,489	839
Number of K-12 Students Per Administrator (2009-10)	46	301	203

\* Data are estimated.  
Note: Data exclude the District of Columbia. Spending per student and number of students per teacher are based on Average Daily Attendance (ADA). Number of students per guidance counselor, librarian, and administrator are based on statewide enrollment.  
Source: National Education Association, National Center for Education Statistics, and US Bureau of Economic Analysis

a measure that reflects the size of a state’s economy and the resources available to support public services. To reach the level of the rest of the US, California would have had to spend an additional \$16.8 billion on education in 2010-11, an increase of 31.1 percent.

## California's Number of Adults Per Student Ranks Last

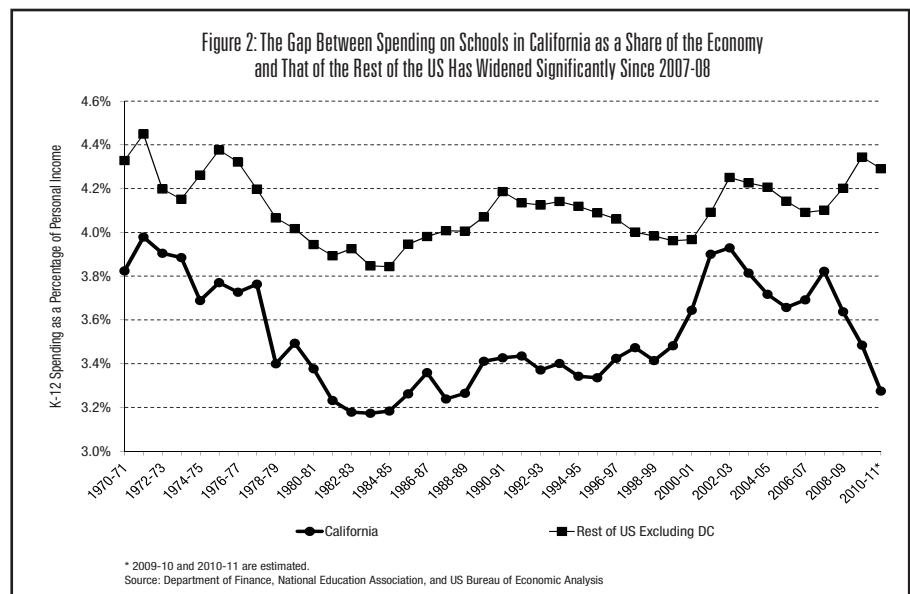
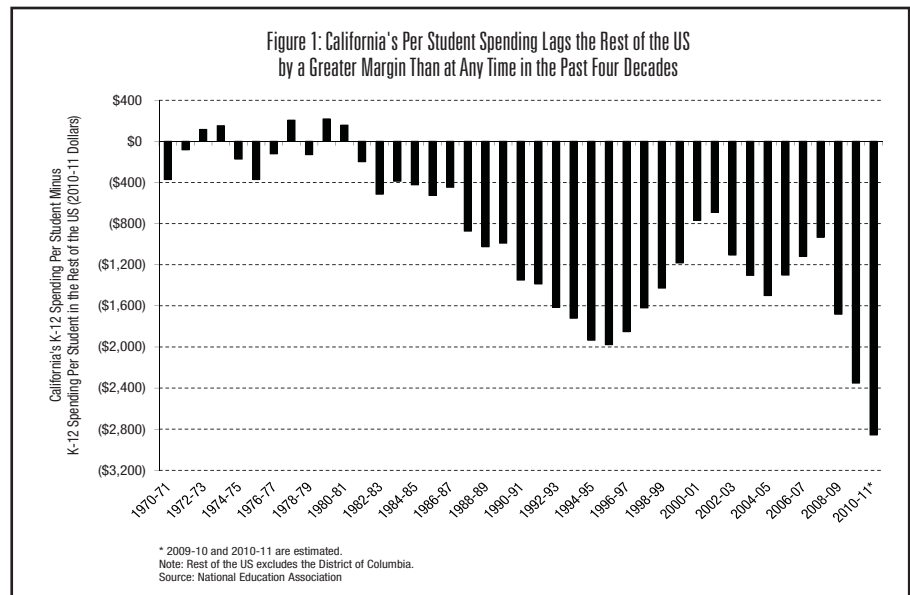
California has more students per school staff than the rest of the US, ranking last or near the bottom on a number of measures. California's schools:

- Ranked 50th in the nation with respect to the number of students per teacher. California averaged 20.5 students for each teacher in 2010-11, nearly 50 percent more than the rest of the US, which averaged 13.8 students per teacher.<sup>2</sup> California's large class sizes mean teachers have less time to attend to the educational needs of each student than do teachers in other states.
- Ranked 49th in the nation with respect to the number of students per guidance counselor.<sup>3</sup> California's schools averaged 810 students for each guidance counselor in 2009-10 while the rest of the US averaged 433 students per guidance counselor. California's large number of students per guidance counselor means many students may not receive the assistance they need to plan for college or a future career.
- Ranked 50th in the nation with respect to the number of students per librarian. California's schools averaged 5,489 students for each librarian in 2009-10, more than six times the rest of the US, which averaged 839 students per librarian.
- Ranked 46th in the nation with respect to the number of students per administrator.<sup>4</sup> California's schools averaged 301 students for each administrator in 2009-10, compared to 203 students for each administrator in the rest of the US.

## The Spending Gap Between California and the Rest of the US Is Widening

The gap between resources available to California schools and those in the rest of the nation has widened substantially during the past decade. Specifically:

- The gap between California spending per student and the rest of the US



grew more than fourfold during the past decade, after adjusting for inflation (Figure 1). California spent \$691 less per student than the rest of the US in 2001-02. The gap in spending per student widened to \$2,856 in 2010-11, an increase of more than 310 percent.

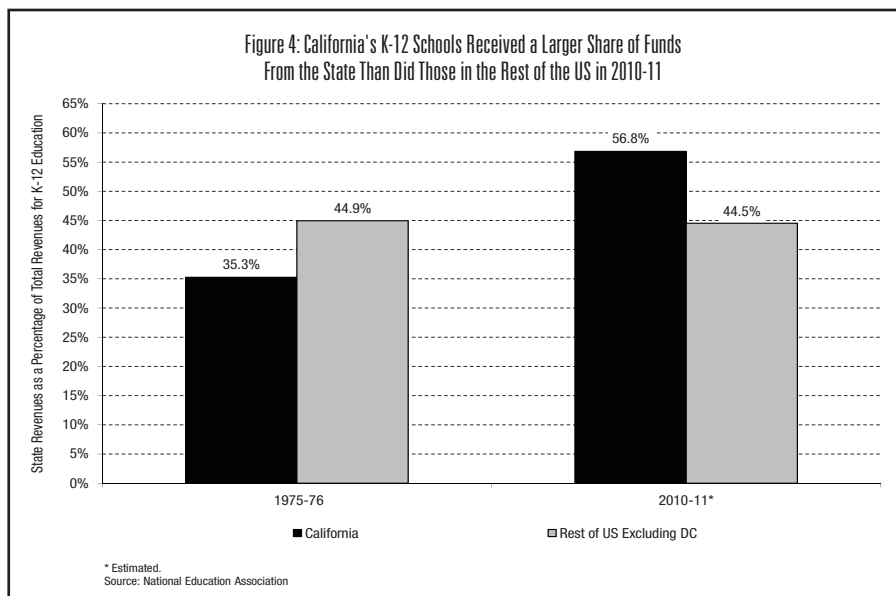
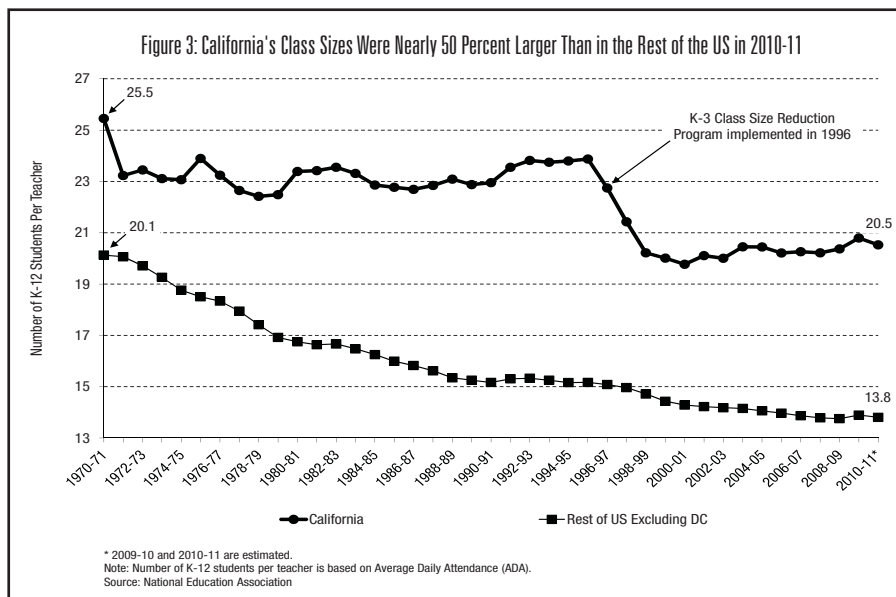
- The gap between California's school spending as a share of the state's economy – measured by the state's personal income – and that of other states has increased more than fivefold since 2001-02 (Figure 2). California school spending equaled 3.90 percent of state personal income – the total income of all Californians – in 2001-02, while the rest of the US equaled 4.09 percent. The 0.19 percentage-point gap that occurred in 2001-02, the smallest in at least 30 years, expanded to nearly 0.50 percentage points in 2005-06 before narrowing to 0.28 percentage points in 2007-08. However, the gap increased to 1.02 percentage points in 2010-11, larger than at any other time in the past 40 years.
- The gap between the number of students per teacher in California and that of the rest of the US grew by approximately 14 percent between 2001-02 and 2010-11.

(Figure 3). In 2001-02, California had 5.9 more students per teacher than the rest of the US. The gap widened until 2004-05, when California had 6.4 more students per teacher than the rest of the nation. While California's class sizes remained relatively constant between 2004-05 and 2010-11, class sizes in the rest of the US became smaller. As a result, California classrooms had 6.7 more students per teacher and were nearly 50 percent larger than classes in the rest of the US in 2010-11.

### California Schools' Reliance on State Dollars Contributed to the Spending Gap

California schools, on the whole, rely on the state budget for a majority of their dollars. Moreover, the largest share of state General Fund spending supports K-12 education. The Legislature reduced overall General Fund spending from \$103.0 billion in 2007-08 to \$87.3 billion in 2009-10 – a drop of 15.3 percent – as policymakers responded to the dramatic decline in revenues caused by the most severe economic downturn since the 1930s. As the state cut spending, the gap between the resources available to California schools and the rest of the nation widened.

California schools' reliance on the state budget reflects passage of Proposition 13 in 1978, which fundamentally changed how schools receive their dollars. Between 1970-71 and 1977-78, California schools received the largest share of their revenue from the local property tax; however, since Proposition 13 schools have received the majority of their dollars from the state. For example, in 1975-76, California's schools received 35.3 percent of their revenues from the state and 53.7 percent from local sources (Figure 4). In 2010-11, California's schools received 56.8 percent of their dollars from the state and 29.8 percent from local sources, primarily local property taxes. In contrast, schools in the rest of the US received roughly the same share of their dollars from state sources in 2010-11 (44.5 percent) as they did in 1975-76 (44.9 percent) and a slightly smaller share of their dollars from local sources in 2010-11 (45.3 percent) as they did in 1975-76 (46.9 percent).



State cuts to education spending combined with California schools' substantial reliance on state dollars helps explain the widening gap between the resources available to California schools and those of the rest of the US. In 2010-11, California was one of just 13 states in which state funds accounted for 55.0 percent or more of K-12 education revenues.<sup>5</sup> Therefore, as California cut K-12 education spending, the gap between the resources available to California's schools and those of the rest of the US – which are generally less dependent on state spending – widened.

### The ARRA Helped California's Schools During the Recent State Budget Crisis

The ARRA helped schools fill budget gaps that resulted from state cuts to education funding beginning in 2008-09. Because of the ARRA and other federal policy initiatives, federal dollars provided a greater share of California schools' revenue during the 2000s than at any other time in the past four decades. California's schools received more than one out of eight dollars (13.3 percent) from federal sources in 2010-11 compared to

## Why Is California's System of School Finance So Different?

Local revenues account for a relatively small share of the total funds received by California's schools largely because of Proposition 13.<sup>6</sup> 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). This shift 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.<sup>7</sup> The Legislature responded by shifting property tax revenues from schools and community colleges to cities, counties, and special districts in 1979. In turn, the state increased funding for schools and community colleges.<sup>8</sup>

The state's increased share of funding for public schools after Proposition 13 was partially reversed, on a permanent basis, in response to state budget shortfalls in the early 1990s. The property tax shifts of the early 1990s shifted property taxes from cities, counties, and special districts to schools and community colleges and reduced state spending for schools on a dollar-for-dollar basis. The Legislature enacted similar shifts on a temporary basis in 2004-05 and 2005-06. Proposition 1A, approved by the voters in November 2004, severely limited the Legislature's ability to enact similar shifts in the future.<sup>9</sup>

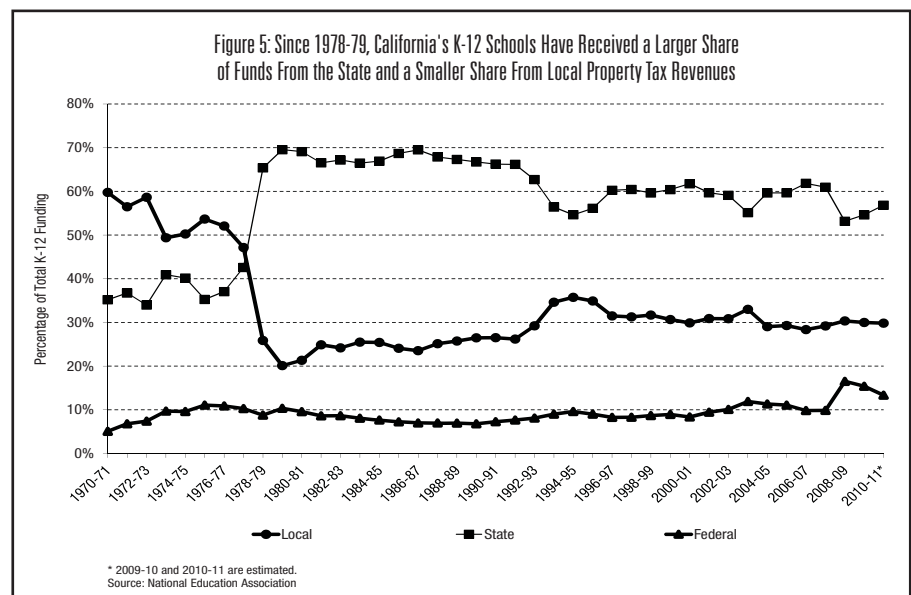
slightly less than one out of 10 dollars (9.5 percent) in 2001-02. Federal funding for California schools increased substantially from 2007-08 to 2008-09 at the same time state tax revenues fell and California reduced funding for schools. As a result, federal dollars as a share of California school funding shot up from 9.9 percent of total school dollars in 2007-08 to 16.5 percent in 2008-09. The ARRA helped close California's budget gaps, as well as schools' and local governments' budget shortfalls. However, by the end of 2010-11, most of the dollars provided by the ARRA had been spent. As a result, schools are approaching a "funding cliff" in 2011-12.

## 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.<sup>10</sup> In 2008-09, California's schools spent 95.1 cents of each education dollar on instruction and student services, while schools in the rest of the US spent 93.8 cents of each education dollar on the same functions (Figure 6). In contrast, California's schools spent 4.9 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 in part a reflection of the fact that teacher salaries are higher, on average, in California – \$69,434 in 2010-11 – than those in the nation as a whole (\$56,069) reflecting California's cost of living, particularly higher housing costs.<sup>11</sup>

## California Has More Students and Greater Challenges

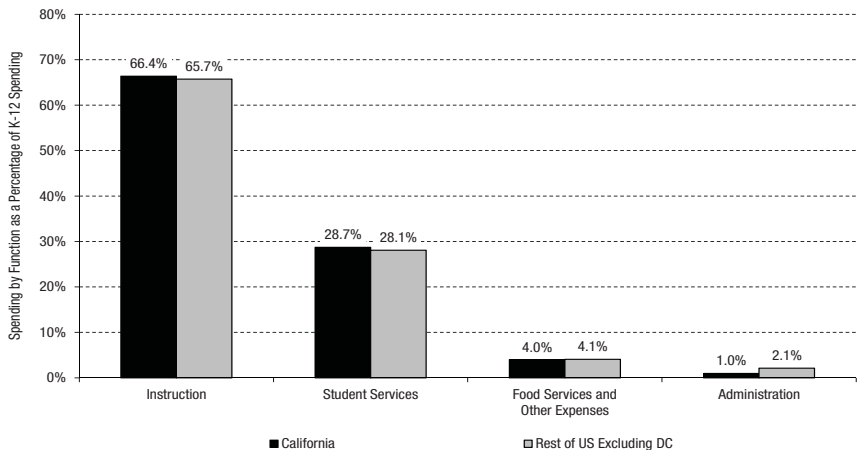
California educates more students than any other state. In 2010-11, 6.1 million students attended public schools in California. In contrast, 4.5 million students attended Texas' public schools in the same year. Moreover, many California children come from low-income families and the state has by far the lowest share of children with English-speaking parents in the nation. More than four out of 10 California children (43.6 percent) come from families with incomes at or below twice the federal poverty line – \$35,136 for a single parent with two children in 2010 – and more than one-third (38.0 percent) of California children have parents who do not speak English fluently.<sup>12</sup>



In most states, school districts have the authority to adjust local property tax rates to raise the resources needed to support local schools. California's Proposition 13, however, capped the local property tax rate at 1 percent, and Proposition 1A of 2004 "locked in" the allocation of revenues among schools, cities, counties, and special districts.<sup>13</sup> In addition to Proposition 13, Californians have passed other ballot measures that limit school districts' ability to raise additional revenues at the local level. For example, Proposition 218 of 1996 requires local school districts to submit tax increases to the voters for approval by a two-thirds majority.<sup>14</sup>

California's greater reliance on state dollars also reflects the impact of a series of court decisions, beginning with 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.<sup>15</sup>

Figure 6: California's K-12 Schools Spend a Smaller Share on Administration Than Do Schools in the Rest of the US, 2008-09



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

California schools with large numbers of English-language learners and students from low-income families face significant challenges. Yet, despite research that shows English-language learners and students from low-income families are more costly to educate, California spends less than other states that have fewer of these students.<sup>16</sup> Moreover, most spending measures do not account for the additional resources required to educate students from low-income families and English-language learners. As a result, the spending gap between California schools and the rest of the US does not reflect the resources required to adequately educate California's diversity of students.

### Inequality Widens Among California Schools

As the gap between California's spending for education and the rest of the nation widened, so have the gaps among California schools. One reason for the widening inequality is that schools with a larger share of students from more affluent families are able to fill budget gaps by raising dollars from private donations. A survey of California high school principals conducted by the University of California, Los Angeles (UCLA) compared schools with less than 34 percent of students from low-income families, defined as "low-poverty high schools," to schools with at least 63 percent of students from low-income families, defined as "high-poverty high schools." The survey found that low-poverty schools received an average of \$100,000 in private donations compared to \$5,000 in donations received by high-poverty schools.<sup>17</sup>

The UCLA survey also found that low-poverty high schools were more likely than high-poverty high schools to require students and families to pay for or make additional contributions to school services. By shifting costs to students and families, low-poverty schools can maintain services that many high-poverty schools cannot, which contributes to widening inequality among schools. Specifically, the UCLA survey found that due to budget cuts, low-poverty high schools are:

- More than five times as likely to require students and families to pay for arts and music;
- Four times as likely to require students and families to pay for summer school; and
- More than three times as likely to require students and families to pay for instructional materials.<sup>18</sup>

Moreover, the UCLA study found that requiring families to pay for services exacerbates inequality *within* schools as students from low-income families may not be able to pay for services that other families can support.

## Conclusion

After a decade of disinvestment, the gap between resources available to California schools and the rest of the US has widened substantially. California's schools spend fewer dollars per student and have substantially more students per school staff than schools in other states. Despite a minimum funding level guaranteed to California schools by Proposition 98, the gap between California's spending on schools and that of the rest of the US is widening. The Department of Finance projects state budget shortfalls for the near future, which means the state will continue to lack resources needed for its public systems.<sup>19</sup> Ensuring California's students the opportunities that a quality education affords requires a level of state resources that allows for adequate investment in the state's schools. Absent additional revenue, California schools will likely fall further behind.

## ENDNOTES

<sup>1</sup> Unless otherwise noted, rankings and national data exclude the District of Columbia.

<sup>2</sup> CBP analysis of National Education Association data.

<sup>3</sup> CBP analysis of National Center for Education Statistics (NCES) data. The most recent year for which NCES data are available is 2009-10.

<sup>4</sup> Administrators include school site and district administrators.

<sup>5</sup> CBP analysis of National Education Association data.

<sup>6</sup> 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).

<sup>7</sup> California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), p. 6.

<sup>8</sup> California Budget Project, *Proposition 13: Its Impact on California and Implications for State and Local Finances* (April 1997), pp. 2-3.

<sup>9</sup> The July 2009 budget agreement suspended Proposition 1A of 2004 and transferred \$1.9 billion in property tax revenues from cities, counties, and special districts to schools. This amount is a loan, which must be repaid pursuant to Proposition 1A.

<sup>10</sup> Instruction includes activities dealing directly with the interaction between teachers and students. Student services include school site administration, transportation, and operation and maintenance.

<sup>11</sup> National Education Association, *Rankings & Estimates: Rankings of the States 2010 and Estimates of School Statistics 2011* (December 2010), p. 92. The national average for teacher salaries includes the District of Columbia and California.

<sup>12</sup> The federal poverty line refers to the US Census Bureau's poverty threshold.

<sup>13</sup> Rates above 1 percent are allowed for bond measures approved by local voters.

<sup>14</sup> However, Proposition 39 of 2000 allows voters to approve local school bonds, and increases in property tax rates to repay them, with a 55 percent vote rather than a two-thirds majority.

<sup>15</sup> 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).

<sup>16</sup> 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.

<sup>17</sup> John Rogers, et al., *Free Fall: Educational Opportunities in 2011* (UCLA IDEA and UC/ACCORD: March 2011), p. 14.

<sup>18</sup> John Rogers, et al., *Free Fall: Educational Opportunities in 2011* (UCLA IDEA and UC/ACCORD: March 2011), p. 15.

<sup>19</sup> The Department of Finance projects state budget shortfalls from 2012-13 through 2014-15.

*Jonathan Kaplan prepared this School Finance Facts. The California Budget Project (CBP) was founded in 1994 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. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*