FINANCING CALIFORNIA’S PUBLIC SCHOOLS
Margaret Weston

California’s K–12 funding supports 6.2 million students in a variety of programs.
The vast majority of California’s students attend nearly 8,000 regular public schools in the state’s 963 school districts. Roughly 5% of students attend more than 800 charter schools—publicly funded schools not subject to many state regulations. County offices of education provide instruction for some high-risk and special education students, and three state-run special schools teach almost 900 blind and deaf students.

The state provides the majority of K–12 funding.
California’s public schools receive funding from three sources: the state (57%), property taxes and other local sources (29%), and the federal government (14%). The proportion of funding from each source varies across school districts. The majority of revenue (almost 70%) is unrestricted general purpose funding. The remainder is restricted categorical state and federal funding earmarked for special programs and purposes such as special education, class size reduction, and the National School Lunch Program.

In recent decades, the courts and voters have shifted school funding from the local to the state level.
For most of their history, California’s school districts financed their operations largely through local property taxes, with limited state and federal supplemental aid. This created large differences in per pupil funding across districts because of varying property values and tax rates. In 1971, the California Supreme Court ruled this system unconstitutional and ordered the state to equalize funding across districts. In 1978, Proposition 13 reduced the local property tax revenues available to schools, and the state had to provide even more financial support to maintain similar funding levels across districts. In 1988, voters passed Proposition 98, mandating that a minimum of roughly 40% of the state’s general fund be dedicated to education each year.

However, state support has declined, and options for increasing revenue at the local level are limited.
The recession and a slow economic recovery have led to declining state revenue and a corresponding reduction in the state’s funding of K–12 schools. In other states, residents can increase their property tax rates to provide additional funding for local schools. Although Proposition 13 limits such property tax increases in California, some other options are available. With 66% voter approval, local residents can levy a parcel tax—a flat fee per parcel of land. Other sources of local revenue include interest on investments, limited student fees, and private donations.

The school finance system is considered unfair and complex …
Many studies have found California’s school finance system inequitable, with wide variation in per pupil funding; and the system is governed by such a complex array of laws and formulas that only a few experts understand how it works. Furthermore, critics charge that the large number of restrictions and categorical programs make it the most centralized and highly regulated school finance system in the country. In 2009, the state addressed its overregulation by removing the spending restrictions on 40 state categorical programs: Districts may now spend those program funds for any educational purpose through 2014–15.

… but educators and legislators are now pursuing educational reforms.
A number of reform efforts are under consideration, including legislation that would permanently extend much of the current categorical funding flexibility and consolidate most categorical programs into a few larger, more equitable programs focused on broader state goals, such as the academic improvement of disadvantaged students and English learners. These efforts offer California an opportunity to take stock of its educational goals, determine their cost, and assign responsibility for their funding and implementation.
The state provides the majority of K–12 revenues


Notes: Figure excludes non–Proposition 98 state general fund contributions (for department operations, state special schools, debt service, and state contributions to teacher pensions) and local debt service. The share of funds coming from each source changes slightly each year. Over the past decade, the state’s contribution has averaged 55%.

Sources of funding vary across California’s districts


Note: These districts were selected to show variation in the proportion of funds from the four main sources of funding across regions in the state.