

Financing California's Public Schools

NOVEMBER 2018

Patrick Murphy and Jennifer Paluch

➤ **Most of the funding for K–12 education comes from the state.**

In 2018–19, California public schools received a total of \$97.2 billion in funding from three sources: the state (58%), property taxes and other local sources (32%), and the federal government (9%). These shares vary across school districts. Of the 6.2 million K–12 students in California, about nine out of ten attend one of the nearly 9,000 regular schools in 1,026 school districts while the other 11% of students attend about 1,228 charter schools—which are publicly funded but not subject to some state regulations. More than half of public school students are economically disadvantaged, and about a quarter are English Learners.

➤ **Court decisions and ballot initiatives have shaped and constrained school funding.**

For most of California's history, school finance was a local concern: districts financed their operations with local property tax revenue supplemented by limited amounts of state and federal funding. Because property values and tax rates varied across the state, this approach created large differences in per pupil funding across districts. In 1971, the California Supreme Court ruled the system unconstitutional and ordered the state to equalize district funding. After Proposition 13 (passed in 1978) reduced the local property tax revenues available to schools, the state became the primary funder of K–12 education. In 1988, voters approved Proposition 98, which requires the state to dedicate a minimum of roughly 40% of its General Fund to K–14 education each year.

➤ **The state's new K–12 funding formula prioritizes high-need students.**

In 2013, California implemented the Local Control Funding Formula (LCFF), shifting from a complex system with more than 50 funding categories to a multi-tiered formula that directs extra funding to “high need” (economically disadvantaged, English Learner, or foster youth) students. The LCFF provides a base amount of funding keyed to each district's average daily attendance. Districts then receive a 20% supplement for each high-need student, and districts with relatively large shares of high-need students receive additional dollars. In 2018, base LCFF funding was \$48 billion and additional funding for high-need students totaled \$9.5 billion. Concerns about how districts are distributing supplemental funds have generated proposals for tighter rules on spending.

➤ **Per pupil funding has increased dramatically but remains below the national average.**

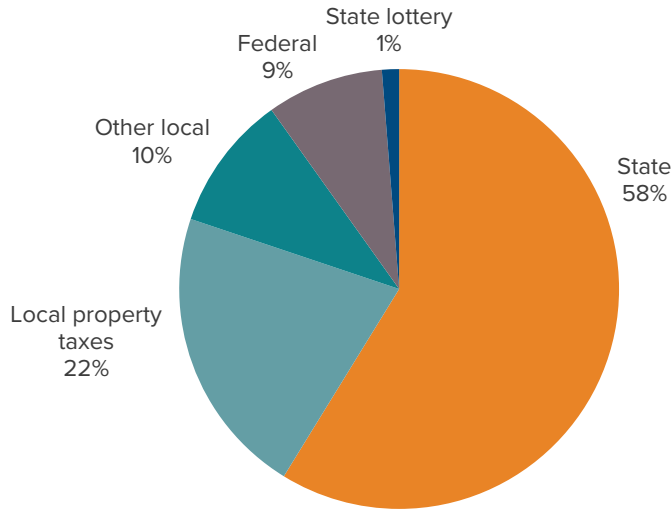
After falling during the Great Recession, overall per pupil funding for education has increased by more than 23% (in real terms) over the past five years. But California's per pupil spending remains lower than the national average: through 2015 (the most recent year for which national data are available), per pupil spending statewide (\$10,786) was almost 13% below the average level of spending in the rest of the nation (\$12,346). According to the April 2018 PPIC Statewide Survey, six in ten Californians (and two in three public school parents) think the current level of state funding for their local public schools is not adequate.

➤ **District costs are rising faster than state funding.**

Changes to state pension systems have required districts to direct an increasing share of their budgets to pension contributions. In 2013, school districts were required to pay 8% of their teacher payrolls for pensions. By 2020, that contribution will rise to 19%, requiring districts to pay about \$1 billion more over each of the next three years. Also, state funding for special education has not kept up with the cost of living and the increased costs of disabilities. This means that districts with higher-need special education populations must cover increased costs. Finally, in half of all districts, declining enrollment is leading to reduced funding from the state. These trends, combined with pressure to increase teacher salaries, are putting many districts in a financial bind.



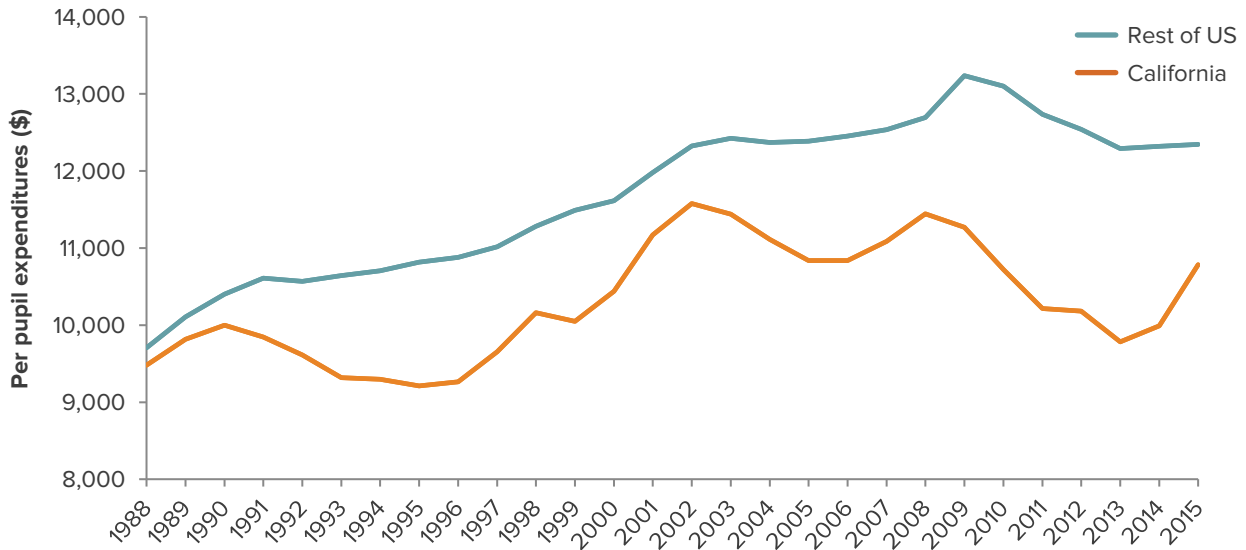
The state provides the majority of K–12 funding



Source: Legislative Analyst's Office K–12 Funding by source. July 2018 report.

Note: Figure excludes non–Proposition 98 state General Fund contributions—including funding for state-debt service payments for school facilities, state contributions to the State Teachers' Retirement System (CalSTRS), and California Department of Education operations.

California's education spending continues to lag behind the rest of the nation



Source: National Center for Education Statistics (NCES).

Notes: Figure shows total expenditures per pupil for current educational costs (not including capital outlay and interest costs) using NCES data. Dollar amounts are adjusted for inflation.

Contact: murphy@ppic.org

Supported with funding from the Dirk and Charlene Kabcenell Foundation

