IN CALIFORNIA THE EXPECTATIONS

for public school performance are high. The state has adopted academic content standards widely regarded as the most rigorous in the nation. And it has invested millions in increased student testing to try to put a sharp focus on what schools are teaching and students are learning.

These changing conditions have affected what the public schools are doing and what Californians now expect of them. Further, state and federal accountability programs have made those expectations more explicit. They have also shone a bright light on the gaps in achievement that exist between groups of students based on their ethnicity and language backgrounds, and on their disabilities.

These changes, which have occurred over the last 10 years, have had a dramatic effect on how Californians think about their schools and how they measure the success of their public education system. But to what extent has the school finance system changed in response to these standards-based reforms?

The average school district in California receives close to 95% of its operating funds either directly from the state or funneled through the state (as with local property taxes, federal monies, and California lottery funds). The annual budget decision by California policymakers determines how much money districts will have to employ teachers and other staff, purchase instructional materials, and run programs.

To a large extent, California’s governor and Legislature determine the amount of funding for K–12 schools based on a set formula. Proposition 98, approved by voters in 1988, establishes an annual minimum funding guarantee. Effectively that has meant that education is entitled to at least the same

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**TRENDS AND COMPARISONS**

**in California School Finance**

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**In this report**

Data on California’s school finance system over the past decade and in comparison to the nation show that:

- In 2004–05 school districts as a whole—but particularly those serving K–8 students—received a smaller share of their total funds from revenue limit sources (used for general purposes) than they had in 1994–95. *(See Pages 2 and 3.)*

- Federal categorical funding now makes up a larger share of total revenues than in the past. *(Page 3)*

- Categorical programs are increasingly used to support policy decisions, such as the state’s K–3 Class Size Reduction Program and federal and state school reform efforts. Less emphasis is being placed on programs specifically targeted to special needs students. *(Pages 3, 4, and 5)*

- Per-pupil revenue limit amounts are similar among districts of each type (elementary, unified, and high school), and the historical advantage enjoyed by unified and high school districts has eroded. *(Pages 6 and 7)*

- Expenditures per pupil and average teacher salary have risen over time along a similar continuum, but the ratios of teachers per pupil and staff per pupil (excluding teachers) have varied more, in part due to policy decisions. *(Pages 8 and 9)*

- California continues to report below average expenditures per pupil, above average salary costs, and more students per teacher compared to the nation. *(Pages 9 and 10)*

- California school districts allocate their operating funds in a similar manner to the national averages. *(Page 11)*

- Changes in state policy and voter support for bonds have increased facility funding. *(Page 11)*
State leaders not only determine the total revenues available, but they also decide how those funds will be allocated to school districts (e.g., which programs will be funded and how much of the money is unrestricted). Over the past decade, some volatility in total education funding, combined with state leaders’ allocation decisions, have changed financial conditions for the state’s nearly 1,000 school districts in a variety of ways.

This report considers the state’s allocation patterns since the mid-1990s to see how the amount and types of revenues that school districts receive have changed and to examine the extent to which those changes have been consistent with the state and federal reform agendas. It also looks at district expenditures based on statewide averages to provide a sense of how local districts spend the funds they receive. Comparing that to national data helps illuminate the spending decisions and trade-offs California districts are making.

Given the brevity of this report, the data presented are necessarily broad. While they provide some basic answers, they are perhaps most useful in raising important questions about school district revenues and expenditures and their relationship to what we expect our public schools to accomplish.

The proportion of district revenues from various sources has changed

Each California school district’s income comes from a combination of state, federal, and local funds. State funds, which include state monies and local property taxes, can be broken down into revenue limits (general purpose funds) and other state revenue, which is largely targeted for special needs students or specific programs. Over the past decade, the proportion of funds that comes from each of these sources has changed for districts. On average, the degree of change varies based on the type of district (elementary, unified, or high school).

Revenue limit funding and local miscellaneous revenues provide general purpose monies

California school districts rely on revenue limit funding for their core operating needs. These general purpose monies come from a combination of state and local property taxes. Districts have discretion over how these operating funds are spent, within the context of contracts with employees and other obligations. A district’s revenue limit is a per-pupil allotment; total revenue limit funding is based on that allotment times average daily attendance (ADA). Although it is roughly related to the type and size of district, the revenue limit is calculated for each district based on historical spending patterns and a legally determined annual cost-of-living adjustment (COLA).

In 2004–05 school districts as a whole—but particularly those serving K–8 students—received a smaller share of their total funds from revenue limit sources than they had in 1994–95. Figure 1 looks at what school districts combined with state leaders’ allocation decisions, have changed financial conditions for the state’s nearly 1,000 school districts in a variety of ways.

This report considers the state’s allocation patterns since the mid-1990s to see how the amount and types of revenues that school districts receive have changed and to examine the extent to which those changes have been consistent with the state and federal reform agendas. It also looks at district expenditures based on statewide averages to provide a sense of how local districts spend the funds they receive. Comparing that to national data helps illuminate the spending decisions and trade-offs California districts are making.

Given the brevity of this report, the data presented are necessarily broad. While they provide some basic answers, they are perhaps most useful in raising important questions about school district revenues and expenditures and their relationship to what we expect our public schools to accomplish.

The portion of districts’ operating budgets that consists of revenue limit funding decreased from 1994–95 to 2004–05 while federal and local revenues increased

<table>
<thead>
<tr>
<th>Sources of General Operating Revenues * by District Type</th>
<th>Average Total Revenues in 1994–95 and 2004–05</th>
<th>Percentage Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Limit Sources (general purpose funds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Districts</td>
<td>75%</td>
<td>66%</td>
</tr>
<tr>
<td>Unified Districts</td>
<td>71%</td>
<td>64%</td>
</tr>
<tr>
<td>High School</td>
<td>75%</td>
<td>73%</td>
</tr>
<tr>
<td>Local Miscellaneous Revenues (largely general purpose funds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Districts</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Unified Districts</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>High Districts</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Federal Revenues (largely categorical aid)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Districts</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Unified Districts</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>High School</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Other State Revenues (largely categorical aid)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Districts</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Unified Districts</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>High Districts</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

* This data is based on school districts’ unaudited actuals as reported to the state and includes General Fund only. County offices of education are not included.

Note: The percentage point changes do not always add up to zero by school district type due to rounding. California lottery monies, which account for about 1% to 2% of state funding, are included in Other State Revenues.

Data: California Department of Education (CDE) from the Ed-Data Partnership website (www.ed-data.k12.ca.us)

EdSource 1/07
report to the state as their general operating revenues (district General Fund monies). The proportion of total operating funding from revenue limit sources fell in those 10 years by nine percentage points for elementary, seven points for unified, and two points for high school districts.

Districts also generally have discretion over how local miscellaneous revenues are spent. These revenues, which make up about 6% of all K–12 revenues, include monies from such sources as parcel taxes, parent fundraising efforts, cafeteria sales, interest, sale and lease of property, and private foundations. However, the amount of local miscellaneous revenues varies significantly from district to district. In general, districts that serve higher-income families tend to report higher local miscellaneous revenues.

Over the past 10 years, this source of revenue has increased statewide as a percentage of total revenues, particularly in elementary districts.

**Federal funding now makes up a larger share of revenues than in the past**

The balance of state funding for schools—largely categorical aid—is earmarked for specific purposes. The bulk of this categorical funding is given to districts to address special student needs—such as Special Education and Economic Impact Aid (for low-income pupils)—and to support specific programs, such as K–3 Class Size Reduction.

Over the past decade state categorical funding has made up about the same proportion of total revenues reported, with a small increase for elementary and unified districts and a decrease for high school districts.

However, the portion of district revenues that have come from the federal government has increased significantly. Federal funds are almost entirely categorical and provide an important part of most districts’ budgets. During this 10-year period, the share of total funds coming from federal sources grew by four percentage points for elementary and unified districts and by three percentage points for high school districts. This increase is primarily due to enhanced support for Title I funding under the No Child Left Behind Act (NCLB), signed into law in January 2002.

Federal categorical funding has been largely shaped by federal policies enacted in the 1960s and 1970s. The conventional view of categorical funding has been largely shaped by federal policies enacted in the 1960s and 1970s. A movement has taken hold nationally focused on improving instruction. In particular, what is the impact on elementary and unified school districts that serve low-income students, given that much of state and federal categorical funding is targeted to the students they serve?

**Categorical programs are increasingly used to support reform policies**

The overall shift in school district revenue sources noted above suggests the need for a deeper look at this trend and its impact. How have these changes influenced efforts to improve student performance? Do the averages reveal a trend that has affected districts equally, or do they obscure a wide range of differences among districts of each type?

In particular, what is the impact on elementary and unified school districts that serve low-income students, given that much of state and federal categorical funding is targeted to the students they serve?

As the standards-based reform movement has taken hold in California, many new federal and state categorical funds have focused on improving instruction.

**Class Size Reduction causes a major shift in categorical funding**

The passage of California’s K–3 Class Size Reduction program (CSR) in 1996 is a prime example of
In 2006–07 Special Student Needs includes the following programs (from largest to smallest): Special Education, Economic Impact Aid, Child Nutrition, English Learners, Gifted and Talented Education, and Community Day Schools.

Note: Percentages may not add up to 100% due to rounding.

Policymakers leverage funds to support standards-based reform efforts

State policymakers have increasingly used categorical funds to support school reform policies since the passage of the Public School Accountability Act (PSAA) in 1999. They added categorical programs to help students and schools who were not meeting the new state standards. These programs focus on supplemental instruction for struggling students, intervention programs in schools that are not meeting achievement goals, and a new investment in a testing program to measure students’ and schools’ progress. Although many of the struggling students have special needs and many of the schools requiring intervention serve those students, the new programs are targeted at schools and students based on academic achievement rather than being allocated for special needs students per se. Altogether, lawmakers allocated $904 million to such programs in 2006–07, representing about 2% of state revenues and almost 1.5% of the K–12 education budget. (“State revenues” do not include federal revenues.)

In recent years, the federal government also began to shift its focus toward standards-based reform efforts. Beginning in 2002–03, the U.S. government started requiring states to test their students and to hold accountable schools that received federal monies under Title I of NCLB. Students in Title I schools are expected to make progress toward specific proficiency goals in English and math. To support these new requirements, the U.S. government significantly increased its funding of Title I in 2002–03. But since that initial infusion of funds, Title I funding for California has been essentially flat, with no increase for inflation or enrollment gains. In 2006–07 the federal government allocated $2,079 billion for Title I, down from $2,089 billion in 2005–06.

Policymakers increase support for programs outside of K–12 instruction

Both federal and state policymakers are now putting more money into programs that support children when they are not in school. They have increased the proportion of funding for child development programs, including after-school programs. In 1996–97 child development programs made up about 2% of California’s K–12 education budget. Ten years later, that proportion had grown to 5%.

As Figure 3 on page 5 shows, the federal commitment grew faster than...
the state’s, so that almost $4 of every $10 spent on child development through the K–12 system in California today comes from the U.S. government.

Funding for Special Education remains the same in relation to other programs
While state and federal policymakers were focusing on improving instruction and supporting students outside of the K–12 system, the sources of Special Education funding in California shifted. Yet this program’s share of the overall funding pie remained the same.

Since 1998–99 Special Education funding to districts has been based on the total number of students in K–12 public schools rather than on the number of Special Education students and the services they receive. Almost 11% of students in California receive Special Education services each year.

In order to settle a lawsuit brought by the Riverside County Office of Education in 1980, state funds increased dramatically in 2001–02. That year the state approved a $100 million permanent increase in Proposition 98 base funding, a one-time General Fund allocation of $270 million to reimburse past costs, and an additional $25 million payment to be allocated annually from 2001–02 through 2010–11. At about the same time the federal government, responding to pressure from the states, increased its funding for Special Education.

These actions would lead many to expect that Special Education today has a larger share of California’s education budget than it did a decade ago. The data show, however, that

Special Education has simply held its own in relation to other programs. In 2006–07 Special Education represented 7% of California’s total K–12 education budget, the same percentage as in 1996–97.

Special Education did not gain in proportion in part because of the state’s response to budget deficits beginning in 2002–03. The state used the increased funds from the federal government to help offset the new funding requirements in the Riverside lawsuit settlement. As Figure 4 shows, a decade ago the state provided 88% of Special Education dollars while the federal government’s share was 12%. In 2006–07 the federal share is 27% while the state provides 73%.

While the share of funds earmarked for Special Education has not increased, the new state and federal accountability programs have raised the pressure on districts related to these students. In particular, schools are being held accountable for Special Education students reaching higher state and federal academic proficiency goals.

Is categorical funding as it now exists in California an effective strategy for improving academic achievement?
Again, the new directions in categorical funding raise important questions. Does a loss of flexibility in spending hamper district efforts to improve the performance of the lowest-achieving students? Or do categorical programs result in a more effective use of district resources? Has California’s huge investment in CSR been money well spent? Do the increased expectations related to Special Education students’ academic performance suggest that the program needs more support? And how can the state measure the impact of increased spending for child development programs on subsequent student achievement?

![Figure 3: Total funding for child development programs has grown over the past decade, with federal dollars increasing most dramatically](image)

<table>
<thead>
<tr>
<th>Child Development Programs Funded Through the K–12 system (in millions*)</th>
<th>1996–97</th>
<th>2006–07</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$517 77%</td>
<td>$1,839 61%</td>
</tr>
<tr>
<td>Federal</td>
<td>$155 23%</td>
<td>$1,160 39%</td>
</tr>
<tr>
<td>Total</td>
<td>$672 100%</td>
<td>$2,999 100%</td>
</tr>
</tbody>
</table>

*The dollar amounts are not adjusted for inflation, but total funds approximately doubled during this time period.

![Figure 4: The federal contribution to Special Education has grown in proportion to the state’s share](image)

<table>
<thead>
<tr>
<th>Special Education (in millions*)</th>
<th>1996–97</th>
<th>2006–07</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1,860 88%</td>
<td>$3,066 73%</td>
</tr>
<tr>
<td>Federal</td>
<td>$255 12%</td>
<td>$1,151 27%</td>
</tr>
<tr>
<td>Total</td>
<td>$2,115 100%</td>
<td>$4,217 100%</td>
</tr>
</tbody>
</table>

Data: California Department of Education
The revenue limit advantage for unified and high school districts has eroded

California’s system of revenue limit funding provides varied per-pupil amounts for general purposes, with those variations based in part on district type. The original amounts for elementary, unified, and high school districts reflected pre-existing per-pupil expenditures. The relationship among these per-pupil funding levels has shifted considerably in the decades since.

California’s K–12 finance system, once based on local property taxes, is now largely controlled and funded by the state. The transition began in 1968 with the Serrano v. Priest court case, which argued that a locally funded public school system resulted in wealth-based disparities in funding among school districts. In response to court decisions over several years, the Legislature created the current revenue limit structure in an attempt to equalize per-pupil amounts within a certain margin for each of the three district types. The Legislature also created a separate set of “Serrano bands” for small districts. (See the box on page 7 for the definition of a small district.)

Most districts of each type receive similar revenue limits per pupil

The 1972–73 general purpose spending level for each district was originally used to determine the base amount of each district’s annual revenue limit. Elementary districts received the lowest average revenue limit amount, high school districts got the most, and unified districts fell somewhere in between. The differential among types of districts reflected the historical fact that California school districts spent more to educate high school students than they did to teach elementary pupils.

In recent years, state policymakers have taken a variety of actions aimed at equalizing revenue limits within these groups. In the process they have brought the group averages closer together as well.

Figure 5 shows that in 2004–05, the revenue limits within each type of district—elementary, unified, or high school—were within a fairly narrow range. (These data exclude districts officially defined as “small.”) Districts with revenue limits far outside the median are considered outliers. There are no outliers below the 25th percentile. But a number of districts do receive significantly more revenue limit funding than the median. These outliers include 46 or 10% of elementary districts; 20 or 8% of unified districts; and 13 or 16% of high school districts.

Most of those outliers are “basic aid” or “excess revenue” districts. Revenue limit income is a combination of local property taxes and state money. Any increase in property taxes is offset by a reduction in state funds. In basic aid districts, the amount of their property taxes exceeds their revenue limit. They are allowed to keep the excess funds.

A shift in revenue limits diminishes the high school differential

Lawmakers set up the revenue limit formula in order to equalize funding for districts within each district type. The state’s approach to annual cost-of-living adjustments, combined with recent actions aimed at equalizing revenue limits within these types, have brought the elementary, unified, and high school district averages closer together as well.

As Figure 6 on page 7 shows, from 1977–78 through 1997–98 the
The revenue limit differentials enjoyed by unified and high school districts have eroded since 1977–78

The revenue limit differential among the three main district types decreased. Over those 20 years, the high school and unified district differentials steadily eroded in comparison to elementary districts, which are represented by the straight dotted line. That trend changed slightly in 1998–99 due to a change in the funding formula.

Legislators adjust funding formulas in attempts to equalize

The revenue limit is paid to each district on a per-pupil basis, and a district’s average daily attendance (ADA) determines its revenue limit funding. In 1998–99 state leaders changed the ADA formula: excused absences were no longer counted toward a district’s ADA. To transition to the new system, lawmakers made adjustments to try to keep the total revenue for each district relatively constant. But these adjustments caused the per-pupil revenue limit amount to increase for some districts more than others. As Figure 6 shows, that year high school and unified districts saw a slight increase in revenue limit funding compared to elementary districts. Some district leaders, who felt they were disadvantaged by the new rules, called for a new process to once again equalize revenue limit amounts among districts.

In 2001–02 policymakers revisited equalization issues. That year’s budget package allocated $40 million toward a multiyear plan for equalizing school district revenue limits. Budget shortfalls after 2001–02 limited efforts to support equalization until 2004–05 when lawmakers provided $110 million, about one-fourth of the estimated funding needed to bring low-funded districts up to the 90th percentile level. As Figure 6 shows, that change has essentially eliminated the differential between unified and elementary districts.

Since then, some policymakers have wanted to revise the equalization process and formula to respond to concerns that unified districts are disadvantaged under the new approach, but no action has been taken. In 2006–07 the state allocated $350 million more to the current equalization process.

Is the revenue limit system in need of an overhaul or just small adjustments?

Continual changes in the distribution formula for districts’ core operating funds have made some fundamental changes in the extent to which districts receive additional revenues to educate high school students. When revenue limits were first established, the differentials were based on historical patterns. Was that reasonable or fair? Are high schools more expensive to operate? Is narrowing the revenue limit bands consistent with state goals, or is it part of the explanation for relatively low high school performance? How might the state determine the appropriate amount of resources for each level of schooling? And would any change just require fine-tuning current revenue limit calculations or should the system be rethought completely?

Small districts are not included in parts of this analysis

Small districts are defined as elementary districts with fewer than 101 pupils, unified districts below 1,501, and high school districts with fewer than 301 students. The thinking was that small districts lacked the economies of scale enjoyed by large districts and thus should receive a larger per-pupil amount. These small districts are excluded from parts of the analysis here. Students served by small districts made up less than 1% of the 6.3 million students who attended K–12 schools in 2004–05. In 2004–05 there were 98 small elementary districts with a total enrollment based on average daily attendance (ADA) of 4,632 pupils; 68 small unified districts serving 41,402 students; and three small high school districts that together had 629 students.

Data: California Department of Education (CDE) from the Ed-Data Partnership website (www.ed-data.k12.ca.us)

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California’s spending on schools reveals the state’s priorities and challenges

Amid changing state and federal priorities, California has remained consistently below the national average in per-pupil spending and in its teacher-pupil and staff-pupil ratios. The state continues to be an expensive place to live, and this high cost of living has been reflected in teacher salaries. Although the state spends less than the U.S. average on operating expenditures, national data show that districts in this state use their operating funds in much the same way as is true nationally. But the state does differ when it comes to capital expenditures, investing more per pupil than the U.S. average, thanks in large part to voter support for school bonds in the past few years.

**Expenditures per pupil and average teacher salary rise over time along a similar continuum**

When California increased expenditures per pupil—as it did every year from 1993–94 to 2003–04—the average teacher salary followed a similar path. This trend is evident from the latest nationally comparable teacher salary data from the National Education Association (NEA) and per-pupil expenditure data from the National Center for Education Statistics (NCES).

As Figure 7 shows, teacher salaries got their biggest boost at the height of the dot-com boom. At the same time, the state settled a legal battle over past Proposition 98 obligations by providing a substantial increase to district revenue limits. The large increases in K–12 funding permitted many California districts to grant substantial salary raises to their teachers. California’s average teacher salary moved from sixth in NEA’s national ranking (1999–2000) to first in 2001–2002. By the same token, salary increases appear to be sensitive to downturns. Soon after the boom, California’s economy began to lose momentum. In 2003–04 the average teacher salary slipped to third in NEA rankings. That year NEA reports that California’s average teacher salary was $56,444 compared to the U.S. average of $46,752.

Figure 8 indicates that the same factors appear to have had a similar impact on California’s per-pupil expenditure. Figure 8 indicates that the same factors appear to have had a similar impact on California’s per-pupil expenditure.
expenditures. However, the increase in spending driven by this boom was a little more gradual, beginning in 1998–99 and lasting through 2001–02 before leveling off. In 2003–04 NCES reports that California’s expenditures based on fall enrollment were $7,673 per pupil compared to a U.S. average of $8,310.

**Funding, salaries, staffing ratios, and policy decisions are interrelated**

Figure 9 makes clear how closely per-pupil expenditures and average teacher salary track over time. On the other hand, the rough measure of class size—teachers per 1,000 pupils*—is not as closely tied to per-pupil expenditures. Instead, policy intervenes with the introduction of the K–3 Class Size Reduction Program (CSR) in 1995–96, leading to a rise in the number of teachers per pupil. That number leveled and then began to drop after the dot-com bust in the early part of this decade. The number of teachers per 1,000 pupils in 2003–04 was 48, which is only about three-quarters of the U.S. average (63), according to NCES.

During this same time period, staff per pupil (except teachers) took a different trajectory than teachers per pupil. “Staff” includes officials and administrators, certified school staff, principals and assistant principals, guidance counselors, and librarians.

While districts were hiring more teachers so they could participate in the CSR program, their staff per 1,000 students (except teachers) initially fell. As hiring of teachers leveled off, the ratio of the other staff per 1,000 students grew, with a sharp rise between 2000–01 and 2001–02. After 2001–02 the ratios of teachers per pupil and other staff per pupil were more in sync, with both falling.

| Data: National Education Association (NEA) |

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Simple comparisons do not tell the whole story of average teacher salary

When comparing teacher salaries among states, both the cost of living in each state and the seniority of the workforce play a role. The more senior a teaching force, the higher the salaries. Though the seniority factor changes over time as teachers retire, cost of living remains a significant and ongoing factor.

The American Federation of Teachers (AFT) relied on cost-of-living data from the American Chamber of Commerce Researchers Association when it looked at average teacher salaries from all the states in 2000–01. Based on AFT’s analysis, California in 2000–01 had the second highest average teacher salary if dollars alone were considered. But when cost-of-living factors were taken into account, California ranked 16th in the nation and in the middle of the five most populous states. Illinois ranked seventh, New York eighth, Texas 20th, and Florida 26th. AFT has not done a similar analysis since then.

California reports below average expenditures per pupil, above average salary costs, and more students per teacher

Figure 10 on page 10 shows the relationship between expenditures per pupil, average teacher salary, and the

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* “Teachers per 1,000 pupils” or teacher-pupil ratio is not the same as class size because not all teachers are classroom teachers. For example, a school could have five classroom teachers, each with 30 students in a class, and a resource teacher who works individually with students from each of the classes. By simply dividing the number of students (150) by the number of teachers (six), class size appears to be 25 when it is actually 30. Tracking “teachers per 1,000 pupils” is an alternative way to show roughly whether class size is increasing or decreasing over time and how class sizes compare among states.
teacher staffing levels (teachers per 1,000 pupils) of California compared to the five most populous states and the national average. Compared to the U.S. average in 2003–04, California spent less per pupil but more on teacher salaries and had the lowest teacher staffing levels among the five largest states. New York, on the other hand, had higher-than-average teacher salaries, teacher staffing levels, and per-pupil spending. On the latter, New York was the highest of the five most populous states and well above the national average. These figures do not account for differences in the cost of living among the five states.

California is also below average in other staff—including administrators—per pupil. Based on NCES data, in 2003–04 the state ranked 48th in administrators, 50th in principals, assistant principals, and guidance counselors; and last (51st) in librarians. (The District of Columbia is included with the states.) Later data, for 2004–05, show similar rankings for California. That year California had significantly fewer leadership staff per pupil than the national average. The state had 65% of the national average for principals and assistant principals and only 31% for officials and administrators.

California spends less than most states except for capital investment

National data provide a perspective on how much California invests in its schools and how districts spend those funds. One bright spot for state education funding during this past decade is spending on facilities, supported by voter-approved state and local bond measures.

As Figure 11 shows, in 2003–04 California spent less per pupil on operating expenditures (including
instruction) than the national average. But the state was in the middle among the five most populous states, with New York and Illinois spending more and Texas and Florida spending less. (Again, these figures do not account for differences in the cost of living among the five states.)

However, the data from SchoolMatters also show that how California divides the operating funds among a number of categories (such as instruction, pupil support, general administration, and operations and maintenance) is remarkably similar to the national average. The biggest chunk of operating expenditures is for instruction, and the proportion allocated by California—61%—is the same as the U.S. average. In addition, 10% goes to pupil support (attendance, social work, guidance, and health services) and instructional staff support (development of instructional content and processes). Another 10% supports school site administration. That leaves 19% of operating funds for expenditures less central to classroom instruction, such as general administration, transportation, food services, and maintenance.

The success of local bond measures is due in large part to the passage of Proposition 39 in November 2000. This proposition allows districts to seek 55% voter approval for bonds (with added accountability provisions and limits on amounts). From 2001 through 2005, 288 districts sought voter approval under Proposition 39, and 86% of those elections succeeded. Before 2001, districts needed two-thirds approval. From 1986 through 2005, 927 districts sought two-thirds voter approval, and only 55% were successful.

This commitment to building and modernizing schools is a recent phenomenon in California. Just over 10 years ago, a 1994–95 U.S. General Accountability Office (GAO) survey of school officials across the nation found that California schools were more likely to be rated as “insufficient” in every category when it came to buildings and equipment than schools in the country as a whole. And compared to

The past 10 years, from 1986 to 1996 Californians approved just $9.8 billion in state bonds for school construction and $5.9 billion in local general obligation bonds. Districts also collected $2.5 billion in developer fees during that period. (These figures are not adjusted for inflation.)

**What implications do national comparisons have for funding in California?**

California schools are significantly below the national average when it comes to per-pupil spending. Although the state spends less, its districts on average spend their operating funds similarly to the nation as a whole. Capital investments are a different story, with relatively high expenditures in recent years reflecting significant policy changes and a serious commitment from California voters.

In California, on average, about 85% of a school district’s General Fund is spent on staff salaries and benefits, of which teacher compensation is about two-thirds. Due to the state’s high cost of living, teacher salaries—and likely those of other educators—consistently rank near the top. At the same time, California’s educators are responsible for considerably more students than their counterparts in most other states. Would decreasing the size of more classes help teachers better support their students? Should other staffing issues also be explored? Have fewer pupils per educator translated into higher academic achievement for students in other states? If so, with districts already spending most of their unrestricted money on salaries and benefits, how could this be accomplished here? Do these national comparisons bolster the argument that funding for schools is inadequate in California?
The data raise important questions

With nearly 1,000 school districts in the state and a very complex funding system, the averages presented in this report can only provide a preliminary look at important school finance issues. These data raise a variety of questions about school district revenues and expenditures, including:

- How have changes in the sources of funding over time affected California school districts?
- Is California currently using categorical programs effectively?
- Is the state’s revenue limit system in need of some adjustments? Or is a complete overhaul called for?
- Are national comparisons useful for evaluating how California school districts spend their funds? What implications do they have?

Online sources provide help in understanding the issues and the data

A variety of online resources are available to help the public grapple with these questions and put the data presented in this report into perspective:

- For more information about California’s school finance system, go to: www.californiaschoolfinance.org and www.edsource.org
- For data on California schools, districts, county offices of education, and the state, go to: www.ed-data.k12.ca.us
- For national comparison data, go to: http://nces.ed.gov or www.nea.org or www.schoolmatters.com

Research studies seek some comprehensive answers

This spring will mark the release of a comprehensive research project that will take an in-depth look at California’s school finance and governance systems.

“Getting Down to Facts” includes more than 20 studies “designed to carve out common ground for a serious and substantive conversation that will lead to meaningful reform.” The Stanford-led project, which has the support of state leaders from both major political parties, addresses three broad questions:

- What do California school finance and governance systems look like today?
- How can we use the resources that we have more effectively to improve student outcomes?
- To what extent are additional resources needed so that California’s students can meet the goals that we have for them?

These reports, funded by a collaboration of four foundations, are expected to be released in March 2007. For further information, go to: http://irepp.stanford.edu/projects/csfh.html