

CITIZENS' GUIDE TO CALIFORNIA PUBLIC SCHOOL FINANCE

BY VICKI E. MURRAY, PH.D.

WITH RESEARCH ASSISTANCE FROM
RACHEL S. CHANEY, EVELYN B. STACEY, AND IAN RANDOLPH

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By Vicki E. Murray, Ph.D., with research assistance from
Rachel S. Chaney, Evelyn B. Stacey, and Ian Randolph

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Pacific Research Institute
One Embarcadero Center, Suite 350
San Francisco, CA 94111
Tel: 415-989-0833/ 800-276-7600
Fax: 415-989-2411
Email: info@pacificresearch.org
www.pacificresearch.org

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EXECUTIVE SUMMARY

California education spending

Most people think California ranks almost last in public school funding. In 2008, for example, *Education Week* suggested a rank of 48th. If so, California would have had plenty of company at the bottom. Last year, at least five other states also claimed to be 48th: Florida, Illinois, Nebraska, Nevada, and Oklahoma. According to the most recent *Education Week* ranking, California placed 47th in 2009. The reality is, most state and national experts agree that California ranks around the middle nationally. The lack of transparency and growing complexity of the California public-school finance system makes it hard to know how much revenue districts are receiving and easy to believe the Golden State ranks poorly.

In any given state, legislatures spend more on elementary and secondary education than any other major program, including healthcare, higher education, social services, and the criminal

justice system. California is no exception. At \$40 billion, K–12 education represents the largest share of the state general-fund budget. Yet few people comprehend how—or how much—funding public schools receive because of the complexity and murkiness of the California public-school finance system. To help remedy this lack of transparency, the Pacific Research Institute and Just for the Kids–California partnered to produce the California School Finance Center database, online at <http://finance.jftk-ca.org/>.

The database

The database presents total revenue for 973 public school districts, 286 charter schools filing distinct financial data, and 58 county offices of education. The California School Finance Center database also presents student achievement, demographic, census, and staff salary data alongside revenue data for multiple school years, 2003–04 through 2006–07, the most recent year complete revenue information

is available. Unlike any other resource currently available, the database also contains a “Return on Investment” feature developed by Just for the Kids–California to help quantify the relationship between a school district or charter school’s revenue, and its ability to increase student achievement.

This analysis finds the average California public school district receives \$11,600 per pupil in total revenue; however, per-pupil averages vary considerably depending on school district type: \$10,700 for unified school districts; \$11,300 for elementary school districts; \$12,200 for high school districts; and \$18,200 for basic aid, or excess revenue, school districts. Revenue for districts receiving the necessary small schools allowance is allocated on a classroom basis, which works out to an average of \$22,000 per pupil.

The average per-pupil revenue for the 286 charter schools filing financial reports separately from

their school districts is 60 percent of the average public school district, \$6,900 per pupil compared to \$11,600 per pupil. Bricks-and-mortar charter schools receive an average of \$7,200 per pupil, while independent-study charter schools receive \$6,200 per pupil. This analysis also corroborates the conclusion of existing research that the current school finance system is irrational and inequitable.

Irrational and Inequitable

First, while federal funding increases proportionally as the percentages of socio-economically disadvantaged students and English learners increases, state and local funding does not. In fact, state and local revenue for school districts enrolling smaller percentages of socio-economically disadvantaged students and English learners typically exceeds revenue for school districts enrolling the highest percentages of these students.

Second, higher revenue does not guarantee better student achievement. Average proficiency rates in English language arts and math on the California Standards Test among the state's highest-revenue districts are nearly indistinguishable from the lowest-revenue dis-

tricts. In fact, more students in the lowest-revenue districts are proficient in English language arts and math than their peers in the highest-revenue districts.

Third, from the 2003–04 school year to the 2006–07 school year, total school district revenue increased in real, inflation-adjusted terms as student attendance essentially flatlined. Adjusted for inflation, total revenue increased just under 10 percent in 2006–07 dollars. However, total average daily attendance during the same period decreased slightly, by more than 30,000 students, or 0.51 percent.

Recommendations

To improve the California public-school finance system, this analysis recommends that the state:

1. Convert the current school-district special-purpose earmark categorical funding structure into a general-purpose funding structure similar to the one used by charter schools. The current categorical system diminishes the discretion public schools have over their budgets. Moreover, with around 65 categorical programs per school district on average, the categorical system puts a costly administrative burden on schools.

2. State and local general-purpose revenue-limit funding is based on arcane formulas dating back to the early 1970s. Those formulas should be based instead on individual student and school demographics and adjusted annually according to an agreed-upon, regional cost-of-living factor.

3. Require that audited, school-level financial data be collected and publicly reported. The ongoing benefits of assured equity and accountability in public school finance outweigh the near-term cost of this requirement. The initial administrative burden to schools is mitigated by the fact that under the current reporting system it is possible to submit school-level financial data.

4. The state should also require the California Department of Education to release uniform charter data, including school average daily attendance figures used in per-pupil revenue calculations. Currently the department does not release this information along with their financial reports. Consequently, state agencies such as the Legislative Analysts's Office and the Department of Finance must use estimates.

INTRODUCTION: THE LACK OF TRANSPARENCY UNDERMINES SOUND PUBLIC POLICY

In any given state, legislatures spend more on public elementary and secondary education than any other major program, including healthcare, higher education, social services, and the criminal justice system. In this, California is no exception, but the sheer size of its public school system is unique. “California’s public education system is immense,” explains the state department of education, with “more than six million students in about 9,800 schools, which are governed by almost 1,000 elected school boards and regulated by a complex Education Code. The schools are funded through a finance system largely controlled by the Legislature and governor.”¹

To help put the magnitude of California’s public education system into perspective, consider how it compares with other state-funded programs. At \$40 billion, K–12 education receives the largest share of state general-fund money: near-

ly twice as much as healthcare; around three times as much as higher education or the criminal justice system; and almost four times as much as social services.² In fact, California’s general-fund spending on K–12 education alone rivals New York’s *entire* state general-fund budget of \$47 billion. It exceeds every other state’s general-fund budget.³ The California public education system also rivals numerous *Fortune* 500 companies in terms of annual revenue.

With \$40 billion in state general-fund revenue alone, if the K–12 public education system were ranked among California companies, it would place among the top 10, ahead of Intel and Disney in terms of revenue. It would also outrank such leading California-based companies as Apple, Gap, Oracle, Sun Microsystems, Google, Hilton Hotels, and Yahoo, to name just a few.⁴ Given that California has the most expansive—and expensive—public elementary and

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secondary education system in the country, the need for transparency is an especially urgent public-policy concern. Yet, few people comprehend how much funding public schools receive.

Consequently, state legislators formulate policies with incomplete or inaccurate information. Parents and the public also have no reliable way to assess competing school finance proposals affecting millions of California students each year. Veteran *Sacramento Bee* reporter Deb Col-lars once described California’s public-school finance system as “a massive and convoluted web,

Parents and the public also have no reliable way to assess competing school finance proposals affecting millions of California students each year.

filled with deep disparities, outdated programs, and cash streams accountable to no one.”⁵ Education experts agree.

In the most comprehensive review to date of California’s public education finance and governance system, state and national experts writing for Stanford University’s Institute for Research on Education Policy and Practice concluded in their “Getting Down to Facts” project that the state’s school funding structure is plagued by “regulationitis.” They found that California’s school finance structure is “complex and irrational,” adding that it

...has no coherent conceptual basis.... That is, it is not intentionally designed for meeting state education goals or meeting student needs.... Spending formulas are complicated functions of spending in the 1970s that have been adjusted in various ways over time plus additional categorical grants which are not purposefully linked together to meet state education goals. Very few people in the state even understand how funding levels are determined.⁶

Such complexity makes it hard to know how much funding California public schools are actually receiving.

THE CALIFORNIA SCHOOL FINANCE CENTER DATABASE

To help remedy this lack of transparency, the Pacific Research Institute and Just for the Kids–California (JFTK–CA) partnered to produce the California School Finance Center database, online at <http://finance.jftk-ca.org/>. It compiles publicly available information on public school revenue, achievement, and student demographic data from a dozen California Department of Education sources to present the most complete picture possible of California public school funding. Using this database, parents, teachers, administrators, and policy makers can more readily access the information they need to make informed decisions about education policies affecting millions of school children each year.

PRI and JFTK–CA believe very strongly that transparency about such information is the essential building block of effective, data-driven education policy. The California School Fi-

nance Center database strives to achieve that goal by:

- Compiling publicly reported financial and related data from a dozen California Department of Education sources and putting that information right at users' fingertips;
- Identifying total per-student funding amounts for all 978 regular California public school districts (elementary, high, and unified), and the 286 public charter schools with financial information publicly reported by the California Department of Education⁷;
- Breaking down total per-student funding amounts by major funding components and sources;
- Presenting district and charter-school revenue data over multiple years from the 2003–04 school year to the most currently available school year, 2006–07, along with relevant additional data;
- Including a “Return on

Investment” feature that helps quantify the relationship between a school district or charter school’s revenue and its ability to increase student achievement.

Database users can also generate customized reports and perform peer-matched comparisons of California school districts and charter schools for single or multiple years. The feedback function allows users to submit questions or suggestions to help ensure the database meets their current and evolving needs. District and charter-school representatives can also use the feedback function to report any inaccuracies in the data presented so they can be submitted to the appropriate California Department of Education representative, which, in turn, helps improve the quality of the information that is publicly reported. The database will also be updated annually as new financial information becomes available.

COMPARING THE CALIFORNIA SCHOOL FINANCE CENTER DATABASE AND ED-DATA WEBSITE

The financial information presented in the California School Finance Center database is not altered. It is presented in the finest level of detail currently available by major funding sources, state (both general-fund and other state revenue), local, and federal. It also presents the necessary context for interpreting and comparing school district and public charter-school funding, including their size, location, student demographics, census data, staff salaries, and achievement data. The California School Finance Center database presents total and per-pupil funding amounts by major funding components and sources alongside comparable statewide average funding figures for both single school years and over time going back to the 2003–04 school year—all on a single page.

The “Return on Investment” feature developed by JFTK–CA is also unique to the California School Finance Center da-

tabase. Return on investment (ROI) is a commonly used business concept used to describe the ratio of the costs for a given investment or project to the revenues or benefits received. In the context of public school finance, ROI helps quantify the relationship between a school district or charter school’s revenue and its ability to increase student achievement.

Same Data Source Used for School Districts. The California School Finance Center database and the California Department of Education’s Ed-Data website use the same financial reports, the Standardized Account Code Structure Unaudited Actual Data, hereafter referred to as SACS. All California school districts have been using this reporting system since the 2003–04 school year, making it the most comprehensive resource currently available.⁸ The Ed-Data website and the California School Finance Center database also

ROI helps quantify the relationship between a school district or charter school’s revenue and its ability to increase student achievement.

The information it releases to the public may include inaccurate financial information because corrected information is not publicly available through the department.

exclude the same inter-agency transfer revenue categories that would lead to double-counting.⁹ It should be noted, however, that the California Department of Education releases the revenue information reported by school districts in an unaudited form. School districts annually audit their revenue reports and send them to the California Department of Education, which attempts to identify errors. “However,” the department explains, “the unaudited information is not changed after it has been certified and released by CDE.” Therefore, the information it releases to the public may include inaccurate financial information because corrected information is not publicly available through the department.¹⁰

District-Level Total Revenue Matches. Since both databases use the same SACS financial reports for school districts, and both databases exclude the same inter-agency transfer funds, total revenue for individual school districts in the California School Finance Center database match the Ed-Data website. To illustrate, if users looked up the first school district listed on the Ed-Data website, Alameda City Unified in Alameda County, on the California School Finance Center database, they would see that total revenue for the district in the 2006–07 school year was \$107.5 million. This matches the total derived from the Ed-Data Alameda City Unified

District page on the “All Funds” tab; however, Ed-Data users have to add the total revenue figures from the Governmental Funds (\$107.5 million), Proprietary Funds (\$0), and Fiduciary Funds (\$0) sections themselves to get \$107.5 million.

Why Per-Pupil Revenue Does Not Match. Even though the total revenues for individual school districts match in both databases, Ed-Data does not break down the complete SACS revenue information presented on its “All Funds” tab into per-pupil amounts. The California School Finance Center database does. Using the Alameda City Unified District to illustrate, dividing the total revenue of \$107.5 million by the district’s average daily attendance (ADA) of 9,533 students used by both databases results in \$11,277 per pupil.¹¹ This is the amount reported in the California School Finance Center database, broken down into total and per-pupil amounts by each revenue type: state aid, local property taxes and fees, federal revenue, other state revenue, and other local revenue. Those categories are also broken down into more detailed sub-categories so users can see exactly what revenue is included.

Ed-Data, however, reports \$8,871 per-pupil on its Alameda City Unified District “General Fund” page because there it reports current revenue only, not total revenue. Current revenue applies to school districts’ regular operations and excludes

funding for deferred maintenance, school facilities, tax revenue raised for debt service repayment, fees from adult education students and parents taking child development classes, and charter school general-purpose revenue. Such exclusions mean that the final revenue amount presented on Ed-Data's "General Fund" tab for Alameda City Unified is nearly \$23 million lower than the amount presented on its "All Funds" tab, \$84.6 million compared to \$107.5 million. This total revenue difference translates into a per-pupil revenue figure almost \$2,400 lower on Ed-Data's "General Fund" tab than the figure derived for the district on its "All Funds" tab, \$8,871 compared to \$11,277. By clicking on the type of revenue, California School Finance Center database users can see both the general-fund and non-general fund revenue broken down into total and per-pupil revenue amounts by each sub-category program for each school district.

The statewide average school district per-pupil amounts detailed later in this analysis do not match those presented on Ed-Data for the same reason; namely, the California School Finance Center database includes total revenue, while Ed-Data's statewide averages include only current revenue. Ideally, the ADA figure used to calculate Ed-Data's fund per-pupil revenue would be adjusted in proportion to the revenue it

excludes on its "General Fund" tab. For example, when revenue for adult education, child development, or charter schools is excluded, the corresponding ADA for those programs would also be excluded so the per-pupil revenue figure is not artificially lowered. The California Department of Education notes, however, that the per-pupil revenue figure reported on its Ed-Data "General Fund" tab "is based on total ADA, not the number of students in a specific program."

Ed-Data Does Not Provide Charter School Reports. Unlike Ed-Data, the California School Finance Center database includes the 286 public charter schools that report financial information to the California Department of Education, filing either school-level SACS reports or the charter school Alternate Form.¹² Ed-Data excludes these charter schools, noting that since the 2003–04 school year "only charter school data reported with the district's General Fund are included; data in other charter school funds, or reported separate [sic] from the district, are no longer in the district's General Fund financial statement."¹³ Thus, under the current SACS reporting system the necessary information for the 331 charter schools that filed their financial reports with their school districts or county offices of education cannot be isolated because the information is co-mingled in the respective school district's general-fund statement.¹⁴

HOW CALIFORNIA SCHOOL DISTRICTS ARE FUNDED

Most people probably think their local taxes constitute the lion's share of public school district funding. This has not been the case for more than 30 years. California's current public-school finance structure has transformed from a mostly local system to a state system over the past three decades, beginning with a series of landmark court decisions dating back to the 1970s. The court decisions, called *Serrano v. Priest*, determined that general-purpose revenue differences among school districts cannot be based on local property wealth.¹⁵ What followed over the next two decades was a series of legislation, voter-approved ballot initiatives, and additional lawsuits.

These actions were designed to equalize general-purpose school funding across districts, relieve local property-tax burdens, and guarantee minimum school funding levels.¹⁶ Stanford University "Getting Down to Facts" expert Michael W. Kirst

describes the resulting finance system we have today as

...a system broken in every way.... [it] has no coherent conceptual basis, is incredibly complex, fails to deliver an equal or effective education to all children, and is a historical accretion. The finance system is more centralized than almost any system in the nation.¹⁷

While the state legislature largely determines how revenue is allocated, the annual amount of K–12 education revenue is mostly determined by a constitutional minimum-funding guarantee established in 1988 by Proposition 98. This funding guarantee is highly dependent upon economic conditions and is calculated differently according to a series of formulas, called "Tests," depending on whether the economy is strengthening, maintaining, or weakening from one year to the

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The annual amount of K–12 education revenue is mostly determined by a constitutional minimum-funding guarantee established in 1998 by Proposition 98.

next. Both state and local general-purpose revenue-limit funding and state special-purpose earmark categorical funding are included in the Proposition 98 minimum-funding guarantee.¹⁸

General-purpose revenue makes up approximately two-thirds of a typical California school district's total revenue. Each year, the state determines the amount of general-purpose, or revenue-limit, funding school districts will receive based on historical formulas from the early 1970s.¹⁹ Revenue-limit income is a com-

bination of local property taxes and state aid. For most school districts, state aid is reduced if property taxes increase. Districts' general-purpose revenue-limit funding is determined by multiplying the prior year's base revenue-limit amount by a statutory cost of living adjustment, or COLA, then multiplying that amount by district ADA. For the 2006–07 school year the average district per-pupil revenue-limit amounts were \$5,280 for elementary districts; \$5,503 for unified districts; and \$6,340 for high school districts.⁸⁰ This revenue is for school districts' regular operations, including staff salaries and benefits, which represent close to 90 percent of school districts' operating budgets.²¹

General-purpose revenue-limit funding is supposed to be comparable for all California

school districts. In contrast, the remaining third of a typical district's funding is special-purpose categorical revenue, which is based on numerous formulas.²² By its very nature, special-purpose funding for categorical programs will differ across districts depending on the types and numbers of programs offered and enrollment in those programs. The formula below is a highly simplified summary of how school districts are funded, and it excludes myriad adjustments, calculations, and exceptions. The California School Finance Center database organizes general-purpose revenue-limit funding and special-purpose categorical revenue according to five revenue categories for each school district: state aid, local property taxes and fees, federal, other state, and other local revenue.

Table 1: Primary Components of Total School District Revenue

School District Total Revenue Components	Database Revenue Type Location
State and Local General-Purpose Revenue-Limit Funding	State Aid Local Property Taxes and Fees
+	
State and Federal Special-Purpose Categorical Revenue	Federal Revenue Other State Revenue
+	
Miscellaneous Local and Other Revenue	Other Local Revenue Other State Revenue
+	
Lottery Revenue	Other State Revenue

Source: Author's table based on the presentation by the California Department of Education's Ed-Data "School District Income" website.

SCHOOL DISTRICT REVENUE PAGES IN THE CALIFORNIA SCHOOL FINANCE CENTER DATABASE

The California School Finance Center Database presents revenue data for 973 public school districts as well as 58 county offices of education. Each district's revenue is presented as a total amount and a per-pupil amount, which is total revenue divided by the district's ADA.²³ (Throughout this analysis, per-pupil or per-student revenue

and revenue per ADA are used interchangeably.) Table 2 illustrates the revenue page of a fictional unified school district with an ADA of 15,770.

Users can click on each of the five types of revenue to see the total and per-pupil revenue amounts by all of the applicable subcategories for that revenue

type. Table 3 shows the variety of school district revenue categories by type.²⁴ It is meant to be illustrative, not exhaustive. Many of those revenue categories contain multiple subcategories, depending on the selected school district, accessible by clicking the appropriate links that provide even more detailed revenue information.

Table 2: Fictional Unified School District Revenue Page, 2006–07

Type of Revenue	2007 Revenue (\$)	\$/Student
State Aid	63,300,780.00	4,014.00
Local Property Taxes and Fees	29,694,910.00	1,883.00
Federal Revenue	16,211,560.00	1,028.00
Other State Revenue	43,682,900.00	2,770.00
Other Local Revenue	4,145,296.00	2,036.00
Total Revenue	184,997,870.00	11,731.00

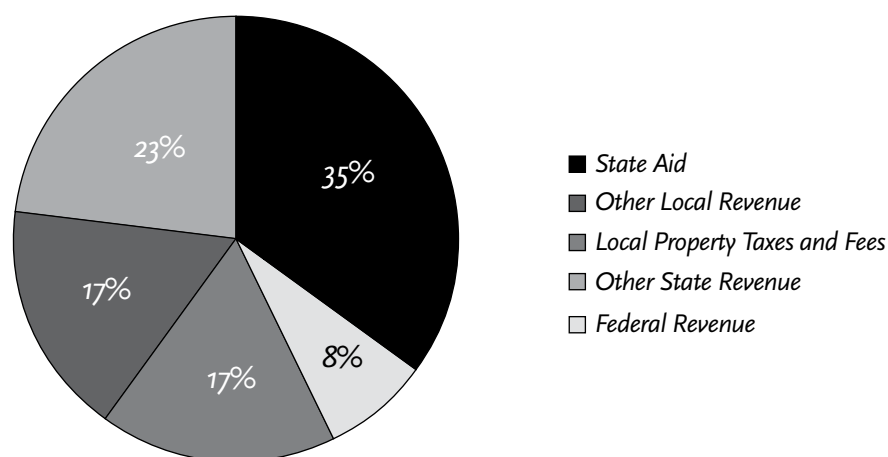
Source: Author's table illustrates a fictional California School Finance Center database school district "\$ per student" page. Financial information in the database is from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Table 3: Sample Revenue Type Descriptions for School Districts

Revenue Type	Purpose	Revenue Category	Description
State Aid	Unrestricted	Revenue Limit	state-aid portion
	Unrestricted	Charter Schools General Block Grant	state-aid portion of the general purpose entitlement funding for charter schools
Local Property Taxes and Fees	Unrestricted	Revenue Limit	local portion from secured and unsecured property tax rolls
	Unrestricted	Revenue Limit, tax-relief subventions	state reimbursement to districts for tax exemptions, e.g., homeowners
	Unrestricted	Revenue Limit, Timber Yield Tax	local revenue received in lieu of taxes on timber
	Unrestricted	Revenue Limit, ERAF	Education Revenue Augmentation Fund shifted property taxes from cities and county agencies to districts
	Unrestricted	Revenue Limit, PERS Reduction Transfer	Public Employees' Retirement System, counted as local revenue that reduces state's revenue limit portion
Federal	Restricted	Special Education	Individuals with Disabilities Education Act (IDEA) entitlement, some of which is deducted from the state apportionment for special education.
	Restricted	Child Nutrition Programs	revenue for child nutrition programs
	Unrestricted	Forest Reserve Funds	portion of county funding paid by the U.S. government for forest reserve land rentals that is distributed to school districts
	Unrestricted	Flood Control Funds	federal flood control funds distributed to districts by the county superintendent
	Restricted	NCLB, various titles	No Child Left Behind Act
Other State	Unrestricted	Class Size Reduction	class size reduction for grades K–3 and grade 9
	Combination	State Lottery	most districts use for salaries, and benefits; a portion must be spent on instructional materials and textbooks
	Combination	All Other State Revenue	most funds typically for categorical programs (varies by district)
	Restricted	School Facilities Apportionments	funding for new construction and modernization
	Restricted	Deferred Maintenance Allowance	funding for major repairs or replacement of buildings and equipment
	Restricted	Economic Impact Aid	funding for English learners and low-income students
Other Local	Combination	Parcel Taxes	special taxes not based on property value
	Combination	Other Non-Ad Valorem Taxes	other non-property taxes such as sales taxes or maintenance assessment district funds
	Combination	Leases and Rentals	revenue from the use of school buildings
	Combination	Interest	revenue from interest on deposits with the county treasurer and interest earnings
	Combination	All Other Local Revenue	includes unrestricted contributions and gifts; and restricted program funding.

Source: Author's table illustrates the variety of revenue components contained in the California School Finance Center database school district "\$ per student" page. Financial information in the database is from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Figure 1: Revenue Types as a Percentage of Average School District Total Revenue, 2006–07



Source: California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Note: Percentages based on total revenue per ADA for an average California school district based on 2006–07 financial data. They differ from Ed-Data’s presentation because the California School Finance uses different funding classifications.

To provide the necessary financial context, each school district’s finance page also presents annual total and per-pupil revenue amounts, with corresponding ADA, going back to the 2003–04 school year, along with comparative revenue, revenue over time, and revenue source over time charts. Figure 1 shows the percentage each revenue type contributes to an

average California school district’s total revenue.

For a typical California school district, state revenue represents the largest share of total revenue at 58 percent, which includes 35 percent in state aid and 23 percent in other state revenue. Local revenue makes up the second largest share at 34 percent, includ-

ing the 17-percent share of local property taxes and fees and the 17-percent share in other local revenue. Federal revenue represents the smallest share of a typical district’s total revenue at eight percent. Of course, these percentages will vary by district types, unified, elementary, and high school, as well as from district to district.²⁵

NOT AS SIMPLE AS IT SOUNDS

As noted previously, just calculating a school district's general-purpose revenue-limit funding involves numerous adjustments, exceptions, and add-ons, making the calculation of general-purpose revenue a dizzying ordeal.²⁶ The California Department of Education explains that the state "has three main types of school districts: elementary (usually K–8), high school (9–12), and unified (K–12). Each district's general-purpose funding is based on its type, with high school districts receiving the most (on average) and elementary districts the least, based on historical patterns and the kinds of programs they provide." Combined, these districts represent 92 percent of all California school districts.²⁷ Two additional types of school districts are treated here because they affect statewide school district per-pupil revenue averages.

Basic aid, or "excess revenue," districts are one exceptional type of school district. They are

located in property-wealthy areas that generate enough property taxes to raise their general-purpose revenue without needing significant additional state aid. These districts may keep any excess local property tax revenue raised, and they are allowed to receive state funding for restricted categorical programs.²⁸ There were 84 basic aid districts statewide in 2006–07, with a combined ADA of nearly 170,000 students, representing three percent of statewide ADA. Total revenue in these districts averaged more than \$18,200 per pupil.

Districts eligible for the necessary small-school allowance represent another type of school district. To be eligible, districts must have an ADA of fewer than 2,501 students and have a qualifying small elementary or high school. These districts may opt to receive additional revenue from the state to achieve economies of scale parity. How much districts receive

So many formulaic and statutory funding exceptions for California school districts add to the complexity of the state's public-school funding system and make it difficult to derive consistent California school district per-pupil revenue averages.

“is based on the combination of ADA and the number of full-time teachers (for elementary schools) or the number of certificated employees (for high schools), whichever provides the lesser amount,” according to the California Department of Education. Depending on the number of teachers or certified employees and ADA, the necessary small-schools funding allowance for elementary schools ranges from \$120,300 to \$481,200; and for high schools, \$97,660 to \$1,605,900.²⁹

For the 2006–07 school year, 145 districts received a necessary small-schools allowance; however, the number of districts receiving this additional revenue varies from year to year, between 140 and 150 school districts since the 2003–04 school year. Revenue for districts receiving the necessary small-schools allowance is allocated on a classroom basis, which works out to an average of \$22,000 per pupil.³⁰ It is important to keep in mind that per-pupil revenue at districts qualifying for the necessary small-schools allowance will obviously be higher—significantly higher in some cases—than other districts because revenue is divided among a much smaller student population. Average ADA in districts receiving the necessary small-schools allowance in the 2006–07 school year averaged 556 students with ADA ranging from four students to more than 17,000 students at the Coachella Val-

ley Unified District, which has special statutory permission to use this formula even though its ADA exceeds the 2,501 limit.³¹

Coachella Valley Unified is not the only district with statutory funding exceptions. Several other districts also have general-purpose funding provisions written into statute, further complicating an already complex public-school finance system. Death Valley Unified, Hot Springs Elementary, River Delta Joint Unified, and Sierra Sands Unified all have necessary small-school provisions written into statute.³² In lieu of necessary small-school funding, the Alum Rock Union Elementary District and the Patterson Joint Unified School District each receive an additional \$20,000 for specified small schools.³³ A special tuition agreement between the Capistrano Unified and Fallbrook Union High School districts is written into statute as well.³⁴ Also written into statute is a program for middle school options limited to Santa Cruz High School, Live Oak Elementary School, and the Soquel Union Elementary School districts.³⁵

So many formulaic and statutory funding exceptions for California school districts add to the complexity of the state’s public-school funding system and make it difficult to derive consistent California school district per-pupil revenue averages. For this reason, the following sec-

tion presents school district revenue averages that include and exclude basic aid districts and districts receiving the necessary small-schools allowance.

HOW MUCH REVENUE DO SCHOOL DISTRICTS RECEIVE?

It is important to keep several points in mind when considering statewide per-pupil revenue averages.³⁶ First, districts' per-pupil revenue averages are calculated by dividing the total revenue received by the number of students counted in the district. Per-pupil revenue is a conceptual framework for presenting school district revenue on an individual student basis instead of an aggregate, district-wide total. Per-pupil revenue, therefore, does not represent the *actual* money spent on students in a particular school district.

Second, the per-pupil figures presented in this analysis and in the accompanying California School Finance Center database are based on total revenue received as reported by school districts. Again, this revenue includes current funding that applies to districts' regular operations as well as revenue that does not apply to school districts' regular operations, such as funding for deferred main-

tenance, school facilities, tax revenue raised for debt service repayment, fees from adult education students and parents taking child development classes, and charter school general-purpose revenue. Because the database breaks down all funding reported by school districts by revenue type at the finest level of detail currently available, users can exclude those funds if they prefer.³⁷

Third, the per-pupil figures presented in this section represent statewide averages. As explained in greater detail in subsequent sections, the revenue that school districts receive varies for numerous reasons, and school districts do not spend revenue the same way.³⁸ Some per-pupil variance makes good sense. School districts' size, location, student demographics, and grade levels offered, all affect how much revenue they receive. For this reason, statewide per-pupil averages are presented according to dis-

The revenue that school districts receive varies for numerous reasons, and school districts do not spend revenue the same way.

Table 4: Statewide Per-Pupil Revenue Averages by School District Type, 2006–07

Statewide School District Averages	All Districts	Unified	Elementary	High School
State Aid	\$3,946	\$4,014	\$3,663	\$4,022
Local Property Taxes and Fees	\$1,993	\$1,883	\$1,954	\$2,918
Federal Revenue	\$981	\$1,028	\$956	\$683
Other State Revenue	\$2,656	\$2,770	\$2,329	\$2,473
Other Local Revenue	\$1,967	\$2,036	\$1,651	\$2,104
Total Per ADA	\$11,543	\$11,731	\$10,553	\$12,200

Source: Author's table based on California Department of Education, Standardized Account Code Structure (SACS) Unaudited Actual Data.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. The per-ADA totals presented here do not match those in the California School Finance Center database "Comparative Revenue" charts because of rounding.
3. For the 2006–07 school year, 308 charter schools filed their SACS submissions through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.

trict type as well as an overall average statewide per-pupil amount. For each school district in the California School Finance Center database, total per-pupil amounts are further broken down by revenue category along with corresponding statewide per-pupil averages for all school districts and the statewide per-pupil averages for the most common relevant school district types, specifically unified, elementary, or high school. This breakdown resembles the California Department of Education's presentation of average per-pupil revenue on its Ed-Data

website; however, the figures presented are based on total revenue, not just current revenue that applies to districts' general operations.³⁹

Based on total revenue reported by school districts for the 2006–07 school year, the average per-pupil revenue was \$11,600 for all districts: unified, elementary, and high school. Per-pupil revenue by district type ranged from \$10,600 for elementary school districts to \$11,700 for unified school districts to \$12,200 for high school districts. These per-pupil averages are around \$2,500 higher, on average, than

the district averages presented by Ed-Data because they include total revenue, not just districts' current, general-fund revenue that applies solely to regular operations.⁴⁰

The per-pupil revenue averages on the Ed-Data website include basic aid districts and districts with schools eligible for the necessary small-schools allowance.⁴¹ Though combined ADA at these districts represents just four percent of total statewide ADA, the significant amount of revenue they receive inflates average statewide school-district revenue amounts.⁴²

Table 5: Statewide Per-Pupil Revenue Averages by School District Type, with Basic Aid and Necessary Small-Schools Allowance Districts Removed, 2006–07

Statewide School District Averages	Unified	Elementary	High School	Basic Aid	Nec. Small Schools
State Aid	\$3,919	\$4,028	\$4,354	\$219	\$7,675
Local Property Taxes and Fees	\$1,925	\$1,949	\$2,729	\$10,280	\$4,280
Federal Revenue	\$866	\$1,045	\$736	\$820	\$2,212
Other State Revenue	\$2,284	\$2,678	\$2,467	\$2,823	\$5,013
Other Local Revenue	\$1,769	\$1,567	\$1,921	\$4,015	\$2,782
Total Per ADA	\$10,763	\$11,266	\$12,207	\$18,157	\$21,961

Source: Author's table based on California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Notes:

- 1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.*
- 2. For the 2006–07 school year, 308 charter schools filed their SACS submissions through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.*
- 3. Eight basic aid school districts also received a necessary small-schools allowance: Big Pine Unified, Desert Center Unified, Hornbrook Elementary, Latrobe Elementary, Lone Pine Unified, Plumas Unified, Shoreline Unified, and Silver Fork Elementary. Revenue for these districts is included in the "Basic Aid" average. Excluding those districts reduces the "Basic Aid" total per ADA revenue to \$18,105.*
- 4. Revenue for districts receiving the necessary small-schools allowance is allocated on a classroom basis.*

HOW CALIFORNIA CHARTER SCHOOLS ARE FUNDED

In 1992 California became the second state to include charter schools among its public school options. Today, there are more than 4,200 charter schools in 41 states, including the District of Columbia, which enroll more than 1.2 million students combined.⁴³ As of the 2006–07 school year, 223,000 California students were enrolled in charter schools statewide.⁴⁴

Charter schools, of course, are public schools that are locally run, independent of school districts, in exchange for lighter regulation and greater flexibility over the education programs they offer. Such flexibility is intended to enable charter schools to develop innovative education practices and curricula. Teachers, parents, community leaders, and community-based organizations typically start charter schools. To receive state funding, charter schools must be sponsored, or authorized, by a district school board, a county board of education, or the State Board of Edu-

cation, and school districts are prohibited from considering the fiscal impact in their decision to approve a charter school.⁴⁵ Charter schools' educational mission, goals, and operations are detailed in agreements, or charters, between the schools' organizers and the sponsoring entity. Charter schools can be closed if they do not meet the terms of their charter agreement.⁴⁶

As public schools, charter schools abide by the same admissions and testing laws as district schools. They do not charge tuition, and they must obey the same anti-discrimination laws as district schools.⁴⁷ Their very establishment is, by state law, to "be guided by the intent of the Legislature that charter schools are and should become an integral part of the California educational system and that establishment of charter schools should be encouraged."⁴⁸

California's public charter-school finance system is much simpler and more straightforward than

The "charter school finance system is much easier to understand, flexible, and much less categorical."

the school-district finance system. In fact, the charter finance model is considered by some experts to be superior to the school-district finance model. "California's finance system for 'regular' schools is convoluted, complex, and incremental," explains Stanford University's Michael Kirst. In contrast, the "charter school finance system is much easier to understand, flexible, and much less categorical."⁴⁹

Like public school districts, charter schools receive general-purpose revenue from a combination of state aid and local revenue. This revenue is called the charter school general-purpose grant or entitlement, and it is supposed to be comparable to school districts' revenue-limit funding.⁵⁰ The general-purpose grant, however, differs from

Table 6: Primary Components of Total Charter School Revenue

Charter School Total Revenue Components	Database Revenue Type Location
Charter School General Purpose Entitlement	State Aid Other Local Revenue
+	
Categorical Block Grant	Other State Revenue
+	
Separate Special-Purpose Categorical Revenue	Other State Revenue Federal Revenue
+	
Lottery Revenue	Other State Revenue

Source: Author's table based on data from the California Department of Education and the Legislative Analyst's Office.

school districts' general-purpose revenue-limit funding in some important ways. First, charter schools' general-purpose grant revenue is adjusted according to grade level, roughly \$5,500 for grades K–3, \$5,600 for grades 4–6, \$5,700 for grades 7 and 8, and \$6,700 for grades 9–12.⁵¹ Second, most charter schools do not receive specified revenue for facilities like school districts do but use general-purpose revenue funds instead.⁵² Third, charter schools do not have local taxing authority. Instead, they receive “in lieu” revenue transfers from their sponsor districts. Charter schools also receive revenue from the California Lottery. This revenue varies each year depending on lottery sales but averaged about \$150 per student in 2006–07.⁵³

Charter schools also receive special-purpose funding through

the categorical block grant.⁵⁴ Revenue for socio-economically disadvantaged (SED) and English learner (EL) students supplements the charter school categorical block grant. This supplementary special-purpose revenue is referred to as in-lieu economic impact aid. This special-purpose revenue varies annually and averaged about \$300 per eligible student in the 2006–07 school year. Charter schools with one to 10 eligible students received a base revenue amount of \$5,500. That base amount increased to \$8,300 for charter schools with 11 or more eligible students. Once charter schools exceed these minimum funding levels, per-pupil levels are used. In most cases charter schools earn much more than these minimums.⁵⁵

The final major component of total charter school revenue is

separate special-purpose categorical revenue from state and federal sources.⁵⁶ Categorical programs include class-size reduction for grades K–3 providing about \$1,000 per pupil; supplemental hourly instruction programs beyond the regular school day; and tobacco-use prevention programs. Charter schools also receive federal special-purpose categorical funding from Title I programs for SED students, teacher training, reading, EL instruction, and other programs.⁵⁷

The formula below summarizes how charter schools are funded. The California School Finance Center database organizes general-purpose and special-purpose categorical revenue according to five revenue categories for each charter school: state aid, local property taxes and fees, federal, other state, and other local revenue.

CHARTER SCHOOL REVENUE PAGES IN THE CALIFORNIA SCHOOL FINANCE CENTER DATABASE

A total of 617 California charter schools filed financial information for the 2006–07 school year; however, only the 54 charter schools filing school-level SACS data and the 232 charter schools filing the Alternate Form had complete data and could be included in this analysis.⁵⁸ Of the remaining 331 charter schools, 308 filed their SACS financial data with their school districts and 23 filed their SACS financial data with their county

offices of education. Under the current district-level financial reporting system, per-pupil revenue data for those 331 charter schools cannot be isolated because the data are co-mingled in their respective school districts or county offices of education general-fund statements.

Therefore, the California School Finance Center Database presents revenue data for 286 charter schools that filed separate finan-

cial reports. As with school districts' funding pages, each charter school's revenue is presented as a total amount and a per-pupil amount, which is total revenue divided by the district's ADA. Table 7 illustrates the revenue page of a fictional charter school with an estimated ADA of 378.⁵⁹

Charter schools filing either the SACS or Alternate Form financial reports will have revenue pages like the one in Table 7.

Table 7: Fictional Charter School Revenue Page, 2006–07

Type of Revenue	2007 Revenue (\$)	\$/Student
State Aid	1,473,444.00	\$3,898.00
Local Property Taxes and Fees	0.00	\$0.00
Federal Revenue	124,362.00	\$329.00
Other State Revenue	250,614.00	\$663.00
Other Local Revenue	743,526.00	\$1,967.00
Total Revenue	2,591,946.00	\$6,857.00

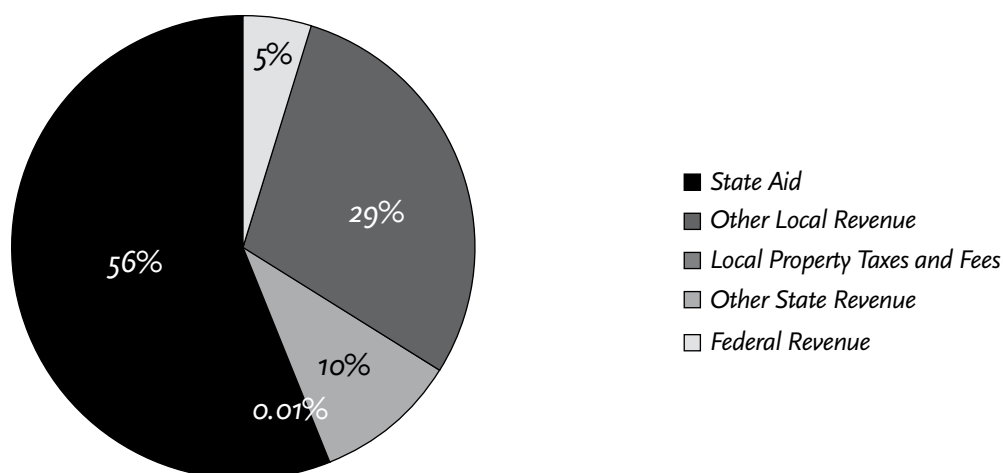
Source: Author's table illustrates a fictional California School Finance Center database charter school "\$ per student" page. Financial information in the database is from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data, and the Charter School Alternate Form Unaudited Actual Data.

Table 8: Sample Revenue Type Descriptions for Charter Schools

Revenue Type	Purpose	Revenue Category	Description
State Aid	Unrestricted	Charter Schools General Block Grant	general purpose funding
Local Property Taxes and Fees Federal	Unrestricted	Various "In-lieu" taxes	funding from school districts in-lieu of local property taxes
	Restricted	NCLB, various titles	No Child Left Behind funding for low-income students, English learners, and special programs
	Combination	State Lottery	educational programs; a portion must be spent on instructional materials and textbooks
	Combination	In-Lieu Economic Impact Aid	funding for socio-economically disadvantaged students and English learners. (Once charter schools meet eligibility requirements, they are not restricted in their use of these funds.)
	Restricted	Charter School Facility Grant Program	for qualifying high-poverty charter schools
Other Local	Combination	Various "In-lieu" taxes	funding from school districts in-lieu of local property taxes

Author's table based on data from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data, and the Charter School Alternate Form Unaudited Actual Data.

Figure 2: Revenue Types as a Percentage of Average Total Charter School Revenue, 2006–07



Author's figure based on data from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data, and the Charter School Alternate Form Unaudited Actual Data.

Because the SACS financial reports contain more detailed financial information than the Alternate Form, clicking the links on the revenue types for 54 charter schools that used the SACS report will display more detailed revenue subcategories and amounts, if applicable to the selected charter school. Those subcategories are typically not available for charter schools that filed the Alternate Form. Table 8 is meant to illustrate some of the major charter-school revenue categories by type, but it is not exhaustive.

As with the school district revenue pages, each charter school's finance page presents annual total and per-pupil revenue amounts, with corresponding estimated ADA, going back to the 2003–04 school year, along with comparative revenue, revenue over time, and revenue sources over time charts. Figure 2 shows the percentage each revenue type contributes to an average California charter school's total revenue.

For the average charter school filing separate financial re-

ports, the state provides the largest share of total revenue at 66 percent, which includes 56 percent in state aid and 10 percent in other state revenue. Local revenue makes up the second largest share at just over 29 percent, including the 29 percent share in other local revenue and less than one percent in local property taxes and fees. Federal revenue represents the remaining share of a typical district's total revenue at five percent. Of course, these percentages will vary from charter school to charter school.⁶⁰

HOW MUCH REVENUE DO CHARTER SCHOOLS RECEIVE?

By law, school districts and charter schools are also supposed to receive comparable funding to educate students.⁶¹ Based on available financial data, they do not. There could be many explanations for this; however, without the financial data from charter schools filing reports with their school districts, this analysis cannot provide a definitive reason. Re-

ports from Legislative Analyst’s Office, for example, have noted the administrative burden to charter schools over the years associated with applying for numerous categorical program funding.⁶² Thus many charter schools may not be applying for funding even if they are eligible. Having school-level data from charter schools filing with their districts would help shed

By law, school districts and charter schools are also supposed to receive comparable funding to educate students. Based on available financial data, they do not.

light on this issue, since those charter schools may be better able to access district support in applying for additional categorical funds.

Table 9: Statewide Charter School Per-Pupil Revenue Averages, 2006–07

Statewide Charter School Averages	All Charter Schools	Brick & Mortar or Combined Charter Schools	Independent Study Charter Schools
State Aid	\$3,898	\$3,693	\$4,169
Local Property Taxes and Fees	\$1	\$7	\$3
Federal Revenue	\$329	\$451	\$114
Other State Revenue	\$663	\$743	\$509
Other Local Revenue	\$1,967	\$2,318	\$1,420
Total Per ADA	\$6,858	\$7,212	\$6,215

Author’s table based on data from the California Department of Education, Standardized Account Code Structure Unaudited Actual Data, and the Charter School Alternate Form Unaudited Actual Data.

Notes:

- Averages based on the 286 charter schools that filed financial data using either school-level SACS reports (54) or the Alternate Form (232). Financial data for the remaining 331 charter schools are included in their school district or County Office of Education’s general funds and cannot be isolated.*
- The per-student revenue total presented here does not match the California School Finance Center database “Comparative Revenue” charts because of rounding.*

To provide the necessary financial context, each charter school's finance page presents annual total and per-pupil revenue amounts, with corresponding ADA, going back to the 2003–04 school year, along with comparative revenue, revenue over time, and revenue source over time charts. Figure 1 shows the percentage each revenue type contributes to an average California school district's total revenue.

The average per-pupil revenue for the 286 charter schools with available financial data was \$6,858 for the 2006–07 school year. More than three-quarters (78 percent) of California charter schools offer site-based instruction, while the remainder (22 percent) offer non-classroom or combination site-based and non-site based instruction such as independent study.⁶³ Independent study, or non-classroom based, charter schools have additional funding regulations.⁶⁴

For this reason, Table 9 distinguishes average per-pupil revenue amounts. “Bricks-and-mortar” charter schools offering on-site instruction or a combination of on-site and independent study instruction received \$7,212 per-pupil on average. Independent-study charter schools received an average of \$6,215 per pupil.

It is important to keep in mind that the per-pupil averages pre-

sented here are only for the 286 charter schools that filed financial reports independently of their districts or county offices of education. Thus, comparisons with average school-district per-pupil revenue should be made cautiously. Still these 286 charter schools represent almost half (46 percent) of all charter schools that filed financial reports during the 2006–07 school year. Those charter schools receive about \$4,700 less per pupil than public school districts: \$6,900 compared to \$11,600.

A lack of transparency in school-district and charter-school revenue hinders important public policy debates. Last fall, voters in the Oakland Unified School District considered a local parcel tax to generate \$12 million annually. Salaries for teachers at the district would have been increased using 85 percent of those funds, while the remaining 15 percent would go to the districts' 33 charter schools. That would have amounted to nearly a \$4,000 raise for every Oakland Unified teacher; however, the Oakland Education Association and the Oakland Unified School District opposed the measure.⁶⁵

“It breaks my heart to be leading the charge against something that would bring more money for teachers' salaries,” said local teachers union president Betty Olson-Jones, who stated it is the union's posi-

In fact, compared to similar school districts, Oakland Unified receives as much as \$5,000 more per pupil; but its beginning teachers earn \$700 less and experienced teachers earn about \$9,000 less than their peers in other districts.

tion that charter schools hurt school districts financially. “You can't help all Oakland's public schools and students by letting charter schools drain away more funding.”⁶⁶ Readily available financial data presented in the California School Finance Center database could have better informed this and similar debates.

Since the 2003–04 school year, Oakland Unified's per-pupil revenue increased from more than \$11,300 (or \$12,400 in inflation-adjusted dollars) to nearly \$15,000 in the 2006–07 school year, in spite of a 7,700 student ADA decline over the same period. Teacher salaries, meanwhile, remained essentially flat. In fact, compared to similar school districts, Oakland Unified receives as much as \$5,000 more per pupil; but its beginning teachers earn \$700 less and experienced teachers earn about \$9,000 less than their peers in other districts.

CALIFORNIA SCHOOL FINANCE CENTER DATABASE PEER SEARCHES

The California School Finance Center database also compiles the information contained on individual school-district and charter-school pages so users can perform matched peer searches that present student demographic, achievement, census, and staff salary data as well as district revenue data for comparable school districts and charter schools. Users can use an automatically generated peer search or customize the search if they prefer. The “Return on Investment” page appears first, which presents student demographic and enrollment data. More detailed data about revenue per student, achievement, staff salaries, and county census information can also be displayed for the returned peers by clicking on the corresponding menu tab. To make comparisons even easier, a “Peer Average” row appears at the bottom of every peer chart, along with detailed bar graph charts corresponding to the peer variable selected, revenue per

student, achievement, staff salaries, or county census information. Users may also select the “Show All” menu tab to have all the available information displayed on one page. Clicking on individual links takes users to the home pages of school districts and charter schools.

To illustrate, Table 10 presents the automatically generated peer results page for the Long Beach Unified School District. Clicking on the “\$ per Student” menu tab displays the page reproduced in Table 10. Table 11 reproduces the page that appears when the “Return on Investment” menu tab is selected.

As shown in Table 10, results initially appear as an alphabetical list of peer school districts and charter schools, with the selected school district or charter school highlighted in green. Clicking on the column headings re-sorts the list by the selected variable in ascending or descending order. Total revenue among Laguna

Beach Unified’s peer districts averages slightly more than \$12,000 per student. Laguna Beach is below that peer average at just under \$11,000. Since this district also enrolls slightly lower-than-average percentages of SED and English learner (EL) students, this revenue difference appears sensible. However, other revenue differences do not.

The per-pupil revenue variance among similar districts is striking, ranging from a low of about \$9,700 at Moreno Valley Unified in Riverside County to a high of nearly \$15,000 at Oakland Unified and Los Angeles Unified. Both districts have high percentages of SED and EL students, which would seem to explain their higher-than-average revenue. Fontana Unified, however, has the highest percentages of SED and EL students, but receives only \$9,900 per student, the third-lowest revenue amount. Combined state and local funding account for about \$4,000 of the

Table 10: Revenue per Student Sample Finance Peer Search Page

Overview		\$ per Student		Return on Investment		Staff	Census		Show All			
						Revenue per ADA					% of Students at Grade Level	
District/ Charter School	% Socio-econ. Disadv.	% English Learner	Enrollment	Average Daily Attendance (ADA)	State Aid	Property Tax	Other Federal	Other State	Other Local	Total	Lang. Arts	Math
Elk Grove Unified	50	17	61,881	59,497	4,336	1,402	666	2,086	1,300	9,791	53	58
Fontana Unified	81	37	41,812	40,553	5,247	288	884	2,431	1,075	9,925	33	36
Long Beach Unified	64	23	90,663	88,501	4,801	829	1,518	2,315	1,528	10,991	46	49
Los Angeles Unified	81	30	707,626	665,397	4,835	1,254	1,582	4,412	2,834	14,916	33	39
Moreno Valley Unified	71	31	37,351	35,631	4,830	749	874	2,239	1,002	9,694	33	35
Oakland Unified	75	28	47,012	37,268	4,332	1,962	2,089	3,703	2,843	14,929	34	38
Riverside Unified	55	19	43,464	41,681	4,242	1,374	831	2,472	1,183	10,103	45	49
Sacramento City Unified	69	29	49,355	44,230	4,648	1,539	1,653	3,020	1,935	12,795	43	49
San Diego Unified	60	28	130,983	112,931	1,853	4,096	1,282	4,597	2,519	14,347	49	51
San Francisco Unified	63	27	56,183	49,392	1,833	4,085	1,331	3,420	2,616	13,284	52	58
Stockton Unified	77	26	38,617	35,406	4,707	1,075	1,327	3,036	1,406	11,551	29	38
Peer Average	68	27	118,632	110,044	4,151	1,696	1,276	3,066	1,840	12,030	41	45

Source: Author's table based on California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures in table are rounded.

Table 11: Return on Investment Sample Finance Peer Search Page

Overview		\$ per Student		Return on Investment			Staff	Census	Show All
							Academic Achievement		Money Received per ADA
District/Charter School	% Socio-econ. Disadv.	% English Learner	Enrollment	Average Daily Attendance (ADA)	Lang. Arts	Math	Percentile Rank	Total	Percentile Rank
Elk Grove Unified	50	17	61,881	59,497	53	58	69	9,791	26
Fontana Unified	81	37	41,812	40,553	33	36	21	9,925	29
Long Beach Unified	64	23	90,663	88,501	46	49	52	10,991	46
Los Angeles Unified	81	30	707,626	665,397	33	39	24	14,916	83
Moreno Valley Unified	71	31	37,351	35,631	33	35	20	9,694	24
Oakland Unified	75	28	47,012	37,268	34	38	24	14,929	83
Riverside Unified	55	19	43,464	41,681	45	49	51	10,103	32
Sacramento City Unified	69	29	49,355	44,230	43	49	48	12,795	66
San Diego Unified	60	28	130,983	112,931	49	51	57	14,347	79
San Francisco Unified	63	27	56,183	49,392	52	58	69	13,284	69
Stockton Unified	77	26	38,617	35,406	29	38	20	11,551	53
Peer Average	68	27	118,632	110,044	41	45	41	12,030	53

Source: Author's table based on California Department of Education, Standardized Account Code Structure Unaudited Actual Data.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures in table are rounded.

\$5,000 revenue difference between Oakland Unified and Los Angeles Unified, on the one hand, and Fontana Unified on the other.

This revenue inequity means an average Fontana Unified classroom gets around \$106,000 less than the average Oakland

Unified or Los Angeles Unified classroom.⁶⁷ Yet in terms of student achievement, Fontana Unified's performance is virtually indistinguishable from either of the other two districts. The "Return on Investment" menu tab helps put the relationship between revenue and performance into even greater

perspective for these peer districts, as illustrated in Table 11.

ROI is commonly used in business to describe the ratio of costs to benefits. The California School Finance Center database uses the ROI concept to help quantify the relationship between a school district's revenue and its ability

Both Oakland Unified and Los Angeles Unified have the highest money-received-per-student percentile rank of 83. Their academic achievement percentile rank, however, is well below the average of 24.

to increase student achievement. The “Academic Achievement–Percentile Rank” column ranks the district’s overall student achievement as an average of English language arts and math on the California Standards Test (CST). Higher numbers indicate a district is having greater success with student achievement, while lower numbers indicate a district is having less success with student achievement. The “Money Received per Student–Percentile Rank” column ranks a school district’s revenue per ADA. Higher numbers indicate a district is receiving higher levels of per-student funding, and lower numbers indicate a district is receiving lower levels of per-student funding.

Together, these measures help gauge the impact that a district’s revenue has on its students’ achievement. An ideal school district would be close to 100 in the academic achievement percentile rank and close to zero in the money-received-per-student percentile rank. This ideal ratio would indicate a highly productive school district that maximizes every education dollar to achieve higher student performance. Districts closest to this ratio therefore get the most “bang for the buck.”

Beginning with the original peer search district, Laguna Beach Unified is above the peer-group average academic achievement percentile rank, 52 percent compared to 41 percent. It is below the peer group average in terms of money received per student,

with a percentile rank of 46 compared to 53. This means that Laguna Beach Unified has a good ROI standing relative to its peer districts because it receives lower revenue but achieves stronger performance. Elk Grove Unified has the strongest ROI standing in this peer group, with an academic achievement percentile rank of 69 and a money-received-per-student percentile rank of 26. Riverside Unified is also above the peer group ROI average.

Both Oakland Unified and Los Angeles Unified have the highest money-received-per-student percentile rank of 83. Their academic achievement percentile rank, however, is well below the average of 24. This ratio indicates that these districts have a weak ROI standing among this peer group. Fontana Unified does much better than either the Oakland Unified or Los Angeles Unified district, with a money-received-per-student percentile rank that is 54 points lower at 29, and an achievement percentile rank that is just three points lower than Oakland Unified’s or Los Angeles’ rank, 21 compared to 24.

The results of this finance peer function illustration are not isolated. Instead they point to two statewide trends revealed by the data contained in the California School Finance Center database: 1) school districts with the greatest need get the least state and local revenue; and 2) higher revenue does not guarantee better student achievement.

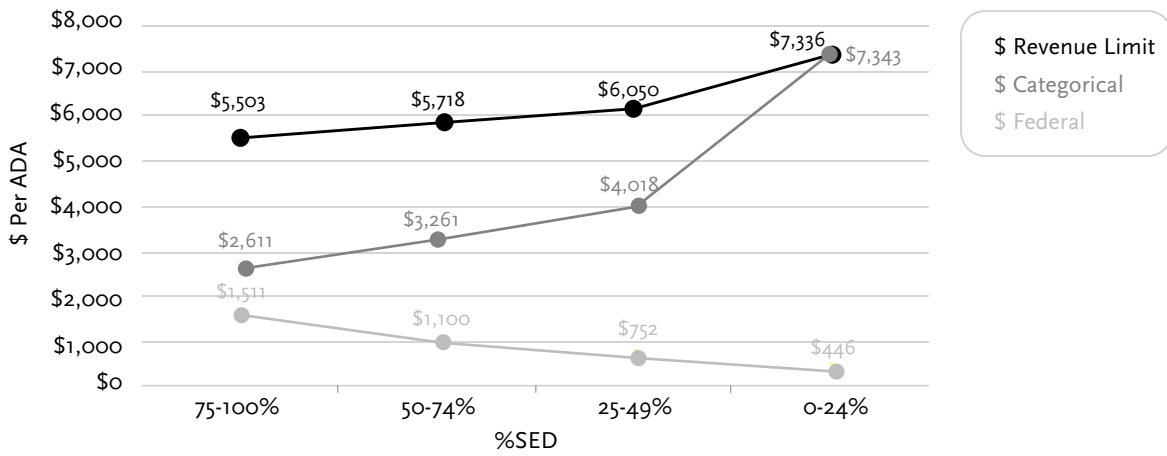
TREND #1: SCHOOL DISTRICTS WITH GREATEST NEED GET THE LEAST STATE AND LOCAL REVENUE

There is growing concern among policy makers that under the current public-school finance system revenue is not being directed where the need is greatest. With the data contained in the California School Finance Center database, this concern can be explored more fully. Ideally, school districts with higher proportions of SED and EL students would receive more per-pupil revenue because their academic and social needs make them more expensive to educate. All districts would receive comparable general-purpose revenue-limit funding. Special-purpose categorical revenue would be directed to districts based on the number of students they have in special programs, such as intensive instruction, after-school classes, and nutrition programs. Accordingly, as the proportions of these students decrease in school districts, so too should total per-pupil revenue. Tables 12A and 12B show this is not the case.

As the proportion of SED students declines in school districts, federal funding declines as well, from \$1,500 per student for school districts in the highest SED quartile to just under \$450 per student for school districts in the lowest SED quartile. State and local general-purpose revenue-limit funding, as well as state and local categorical revenue, however, actually *increases* as the proportion of SED students *decreases*. Revenue-limit funding starts at \$5,500 per student for school districts in the highest SED quartile and then climbs to \$7,300 for school districts in the lowest SED quartile. Categorical funding is nearly three times higher for school districts in the lowest SED quartile compared to those in the highest quartile, \$7,300 per student compared to \$2,600 per student. This pattern means that the more SED students a school district has, the less revenue it will receive from state and local sources under the current finance system.

Under the current public-school finance system revenue is not being directed where the need is greatest.

Table 12A: Average Per-Pupil Revenue by Source and Proportion of Socio-economically Disadvantaged Students, 2006–07



Source: Author's table based on California Department of Education, Standardized Account Code Structure (SACS) Unaudited Actual Data.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.
5. Per-ADA averages exclude basic aid districts and districts receiving the necessary small-schools allowance.
6. Revenue-limit funding consists of general-purpose state aid and local property taxes. Categorical aid represents special purpose state and local revenue.

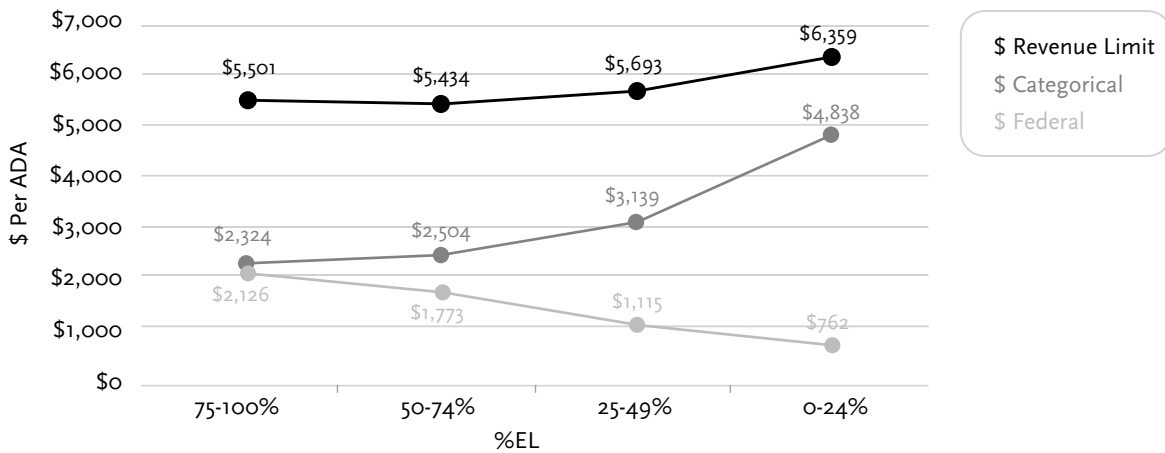
Turning to English learners, a similar pattern emerges, as shown in Table 12B.

Federal funding declines as the proportion of EL students declines in school districts, from \$2,100 per student for school districts in the highest EL quartile to just under \$760 per student for school districts in the lowest EL quartile. Again, both state and local general-purpose revenue-limit funding as well as state and local categorical

revenue actually *increase* as the proportion of EL students *decreases*. Revenue-limit funding starts at \$5,500 per student for school districts in the highest EL quartiles and increases to almost \$6,400 per student for school districts in the lowest EL quartile. School districts in the lowest EL quartile actually receive much more than twice the categorical funding as districts in the highest EL quartile, \$6,400 per student compared to \$2,300.

Thus, federal funding is proportionate with need defined as the proportion of SED and EL students. In contrast, state and local funding are inequitably distributed. General-purpose revenue-limit funding, which is supposed to be comparable across school districts, is 33 percent or \$1,833 higher per student in districts with the least SED students compared to those with the most. Similarly, revenue-limit funding is 16 percent or \$858 higher in districts

Table 12B: Average Per-Pupil Revenue by Source and Proportion of English Learner Students, 2006–07



Source: Author’s table based on California Department of Education, Standardized Account Code Structure (SACS) Unaudited Actual Data.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts’ general-fund revenue and cannot be isolated.
5. Per-ADA averages exclude basic aid districts and districts receiving the necessary small-schools allowance.
6. Revenue-limit funding consists of general-purpose state aid and local property taxes. Categorical aid represents special purpose state and local revenue.

Federal funding is proportionate with need defined as the proportion of socio-economically disadvantaged and English learners students. In contrast, state and local funding are inequitably distributed.

with the least EL students compared to those with the most.

Categorical revenue, which is supposed to fund specialized programs in large part for SED

and EL students, appears to be inversely proportional to need. Categorical revenue is nearly three times higher, or \$4,732 more, in districts with the least SED students compared to those with the most. Similarly, categorical revenue is twice as high, or \$2,514 more, in districts with the least EL students compared to those with the most.

These patterns indicate districts with the lowest proportions of SED and EL students may be

more adept at applying for categorical program funding than districts with more SED and EL students. This possibility lends additional credence to long-standing criticism of the state’s categorical program funding scheme and warrants further investigation. This legitimate concern with categorical funding, however, should not divert attention from the inequitable distribution of general-purpose revenue-limit funding, which also warrants further investiga-

Classrooms in districts with the least need are getting significantly more revenue than classrooms in high-need districts for additional books and instructional materials, teachers' aids and salary bonuses, intensive instruction, and academic enrichment programs.

tion. Consider the effect of such a funding disparity on a typical California classroom.

The average California classroom has 22 students. Per-pupil revenue-limit funding and categorical funding at an average district in the highest SED quartile amounts to \$8,115, compared to \$14,679 per pupil at an average district in the lowest SED quartile. This means the average district classroom in the highest SED quartile receives \$178,530 in combined revenue-limit and categorical funding compared to \$322,938 for a classroom in an average district classroom in the lowest SED quartile, for a per-classroom difference of \$144,408.

Likewise, per-pupil revenue-limit funding and categorical funding at an average district in the highest EL quartile amounts to \$7,825 per pupil, compared to \$11,197 per pupil at an average district in the lowest EL quartile. This inequity translates to \$74,184 less per district classroom in the highest EL quartile compared to one in the lowest, \$246,334 compared to \$172,150.

Thus, classrooms in districts with the least need are getting significantly more revenue than classrooms in high-need districts for additional books and instructional materials, teachers' aids and salary bonuses, intensive instruction, and academic enrichment programs. As the following section shows, however, this additional revenue is not translating into higher student achievement. The funding disparities illustrated here warrant a more sophisticated analysis than is possible in this study to determine their statistical significance.

TREND #2: HIGHER REVENUE DOES NOT GUARANTEE BETTER STUDENT ACHIEVEMENT

Also striking is the fact that average proficiency rates in English language arts and math on the CST among the state's highest-revenue districts are nearly indistinguishable from the lowest-revenue districts. In fact, among the top and bottom 20 revenue districts, unified, elementary, and high school, more

students in the lowest-revenue districts are proficient in English language arts and math than their peers in the highest-revenue districts (excluding basic aid districts and districts receiving the necessary small-schools allowance). As shown in Table 13, on average, a majority of students was proficient

Average proficiency rates in English language arts and math on the CST among the state's highest-revenue districts are nearly indistinguishable from the lowest-revenue districts.

Table 13: Proficiency Variances among Top/Bottom 20 Revenue School Districts, 2006–07

District Type	Top 20 \$ Per ADA			Bottom 20 \$ Per ADA		
	Avg. \$ Per ADA	Avg. % Proficient ELA	Avg. % Proficient Math	Avg. \$ Per ADA	Avg. % Proficient ELA	Avg. % Proficient Math
Unified	15,353	50	53	8,678	53	53
Elementary	26,766	43	42	7,913	53	55
High School	15,580	49	51	9,968	51	52

Source: Author's table based on demographic, financial, and achievement data from the California Department of Education. Financial data are from the Standardized Account Code Structure (SACS) Unaudited Actual Data. Achievement data reflect proficiency rates on the California Standards Test (CST) for English language arts (ELA) and math.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.
5. Basic aid districts and districts receiving the necessary small-schools allowance are excluded.

Receiving close to \$17,000 per student, the Berkeley Unified district has a combined average English language arts and math proficiency rate of 52 percent. Yet similar districts achieve comparable or better results while receiving up to \$7,500 less per student.

in both English language arts and math at the lowest-revenue districts. A majority of students were proficient in both subjects at the highest-revenue unified districts as well. However, at the highest-revenue high school districts, a majority of students were proficient in math but not English language arts. Moreover, on average, a majority of students were not proficient in either subject at the highest revenue elementary districts.

Table 14 examines the relationship between revenue and achievement from a slightly different, and more in-depth, perspective. Table 13 begins with a simple revenue ranking; Table 14 is based on an achievement ranking. Unlike Table 13, it summarizes achievement, demographic, and revenue data by district type (excluding basic aid districts and districts receiving the necessary small-schools allowance) for all districts where a majority of students scored proficient in English language arts, math, or both subjects.

The results of Table 14 indicate that in a majority of California schools districts, regardless of type, most students are not scoring proficient on the CST in English language arts or math. At the school districts where a majority of students are proficient in English language arts, math, or both, per-pupil revenue can range anywhere from almost \$7,500 to more than \$29,000—even exceed-

ing \$100,000 in one case.⁶⁸ For example, receiving close to \$17,000 per student, the Berkeley Unified district has a combined average English language arts and math proficiency rate of 52 percent. Yet similar districts achieve comparable or better results while receiving up to \$7,500 less per student.

The Lincoln Unified in San Joaquin County receives \$9,400 per student and manages a combined average English language arts and math proficiency rate just one percentage point below Berkeley Unified's rate. The Monrovia Unified District in Los Angeles County receives nearly \$10,200 per student and has a combined average English language arts and math proficiency rate of 53 percent. Meanwhile, the Lucia Mar Unified District in San Luis Obispo County achieves a combined average English language arts and math proficiency rate a full five percentage points higher than Berkeley Unified at 57 percent yet receives \$9,600 per student.

Table 15 examines the relationship between revenue and achievement from the opposite perspective from Table 14, by presenting the same information for districts where a majority of students are not proficient in English language arts, math, or both subjects on the CST. While Table 14 illustrates that revenue levels do not guarantee proficiency, regardless of

Table 14: Revenue Variances among School Districts Where a Majority of Students Score Proficient on the California Standards Test, 2006–07

50%+ Proficient: ELA	#	\$ Total Per ADA			% SED			% EL			ADA		
		\$ Low	\$ Avg.	\$ High	% Low	% Avg.	% High	% Low	% Avg.	% High	# Low	# Avg.	# High
Unified	42	8,070	10,566	16,939	0	28	68	1	12	36	196	12,246	59,497
Elementary	46	7,488	10,976	100,503	0	28	84	0	10	42	44	2,316	16,820
High School	45	8,624	11,691	18,687	2	26	46	0	5	25	314	5,950	24,461
50%+ Proficient: Math	#	\$ Total Per ADA			% SED			% EL			ADA		
		\$ Low	\$ Avg.	\$ High	% Low	% Avg.	% High	% Low	% Avg.	% High	# Low	# Avg.	# High
Unified	46	8,459	10,756	20,598	0	31	79	1	14	47	196	13,708	112,931
Elementary	50	7,488	10,447	29,075	0	32	100	0	12	64	44	2,566	21,631
High School	48	9,521	11,758	18,687	2	30	75	0	8	31	314	6,982	24,461
50%+ Proficient: Both	#	\$ Total Per ADA			% SED			% EL			ADA		
		\$ Low	\$ Avg.	\$ High	% Low	% Avg.	% High	% Low	% Avg.	% High	# Low	# Avg.	# High
Unified	39	8,459	10,593	16,939	0	27	68	1	12	36	196	12,888	59,497
Elementary	41	7,488	10,427	29,075	0	27	80	0	10	42	44	2,518	16,820
High School	45	8,624	11,691	18,687	2	26	46	0	5	25	314	5,950	24,461

Source: Author's table based on demographic, financial, and achievement data from the California Department of Education. Financial data are from the Standardized Account Code Structure (SACS) Unaudited Actual Data. Achievement data reflect proficiency rates on the California Standards Test (CST) for English language arts and math.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.
5. Basic aid districts and districts receiving the necessary small-schools allowance are excluded.
6. State and local per-ADA revenue amounts include both general-purpose funding and special-purpose categorical funding.
7. "SED" is socio-economically disadvantaged; "EL" is English learner.
8. The \$100,503 per ADA elementary district is not an aberration. Even if it were excluded, the second-highest revenue elementary district received \$29,075 per ADA in the 2006–07 school year.

Table 15: Revenue Variances among School Districts Where a Majority of Students Do Not Score Proficient on the California Standards Test, 2006–07

50%+ Not Proficient: ELA	#	\$ Total Per ADA			% SED			% EL			ADA		
		\$ Low	\$ Avg.	\$ High	% Low	% Avg.	% High	% Low	% Avg.	% High	# Low	# Avg.	# High
Unified	146	6,807	10,929	20,598	18	66	100	14	29	75	1,015	18,009	665,397
Elementary	222	7,743	11,485	31,680	1	70	100	0	32	89	34	2,816	26,126
High School	36	9,261	12,638	32,668	32	59	100	1	18	43	389	8,655	40,565
50%+ Not Proficient: ELA	#	\$ Total Per ADA			% SED			% EL			ADA		
Unified	135	6,807	10,797	19,729	18	66	100	1	28	75	1,015	17,232	665,397
Elementary	206	7,961	12,043	100,503	1	70	100	0	31	89	34	2,599	26,126
High School	34	8,624	12,630	32,668	8	57	100	1	17	43	389	7,843	40,565
50%+ Not Proficient: ELA	#	\$ Total Per ADA			% SED			% EL			ADA		
Unified	135	6,807	10,797	19,729	18	66	100	1	28	75	1,015	17,232	665,397
Elementary	190	7,961	11,646	31,680	1	73	100	0	34	89	34	2,774	26,126
High School	31	9,261	12,854	32,668	32	60	100	1	18	43	389	8,349	40,565

Source: Author's table based on demographic, financial, and achievement data from the California Department of Education. Financial data are from the Standardized Account Code Structure (SACS) Unaudited Actual Data. Achievement data reflect proficiency rates on the California Standards Test (CST) for English language arts and math.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.
5. Basic aid districts and districts receiving the necessary small-schools allowance are excluded.
6. State and local per-ADA revenue amounts include both general-purpose funding and special-purpose categorical funding.
7. "SED" is socio-economically disadvantaged; "EL" is English learner.
8. The \$100,503 per ADA elementary district is not an aberration. The second-highest revenue elementary district received \$31,689 per ADA in the 2006–07 school year.

student demographics, Table 15 underscores how much poor performance costs the public, since it is the public who provides school districts' revenue.

Table 15 shows that a majority of students are not proficient in English language arts, math, or both at an alarming number of California school districts. In fact, the number of school districts where a majority of students is not proficient outnumbers the school districts where a majority of students is proficient by about three to one. The cost to the public in terms of per-student revenue is also substantial. At school districts where a majority of students is not proficient, per-pupil revenue can range anywhere from \$6,800 to nearly \$33,000, and in one case more than \$100,000.⁶⁹

The sheer range of revenue across California is also striking. The sections that follow consider national school funding rankings in greater detail, but it should be noted here that a more interesting—and instructive—ranking is of the per-pupil school district funding variances just within California, which exceed average per-pupil funding variances among the 50 states and Washington, D.C. In the most recent school-finance ranking published by *Education Week* in January 2009, the national public school funding average was \$9,963; however, average per-pupil funding ranged from \$5,964 in Utah to more than

\$15,139 in Vermont, for a total funding variance of \$9,172.⁷⁰

In contrast, combined state and local per-pupil funding just for California school districts (excluding basic aid districts and district receiving the necessary small-schools allowance) ranges from \$6,162 to \$95,036, a per-pupil variance of \$88,874. Variances in total funding for California school districts from all state, local, and federal sources is even more staggering, ranging from \$6,807 to \$32,668 per-pupil—and in one case going as high as \$100,503 per-pupil (again, excluding basic aid and necessary small-school districts). Those ranges amount to funding variances of \$25,861 and \$93,696, if the outlier district is included.

The results of the comparisons in this section should not be taken to suggest that all school districts' per-pupil revenue should be cut to match the levels of the lowest-revenue school districts, or raised to the levels the highest-revenue school districts. Instead, this comparison indicates that funding disparities among California school districts are not consistent or rational. Under the current school-district finance system, revenue differences are not uniformly based on student demographics associated with higher education costs. This comparison also indicates that many of the state's lowest-revenue school districts are better directing resources

The number of school districts where a majority of students is not proficient outnumbers the school districts where a majority of students is proficient by about three to one.

How schools use revenue is as important as how much revenue they receive, and resources must be tied to results.

toward student achievement than many of the state's highest-revenue school districts. This finding corroborates what research—and common sense—has long shown: How schools use revenue is as important as how much revenue they receive, and resources must be tied to results.

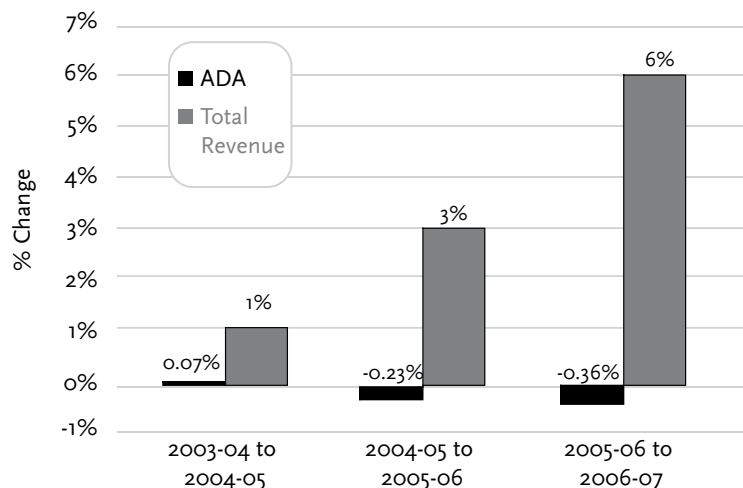
In addition to the two trends explored above, the financial and ADA data contained in the California School Finance Center database reveal a third broad trend: statewide, school-district revenue is increasing overall even though ADA is essentially flat, decreasing slightly by more than 30,000 students from the 2003–04 school year to the 2006–07 school year.

TREND #3: SCHOOL DISTRICT REVENUE INCREASED, BUT STUDENT ENROLLMENT DECLINED

Over the past four years, total revenue for school districts has increased by \$11.7 billion, from \$57.1 billion in the 2003–04 school year to \$68.8 billion in the 2006–07 school year. Again, this figure represents total revenue not just current revenue, which is why it differs from Ed-Data’s reported total school-district revenue figure of \$53 billion. This change represents a 21-percent total funding increase. To get a more accurate reflection of the purchasing power of education dollars, it is important to adjust revenue for inflation.⁷¹

Adjusted for inflation, total revenue increased just under 10 percent in 2006–07 dollars.⁷² Total ADA over the same period, however, was essentially flat, decreasing slightly by just over 30,000 students, or 0.51 percent, as mentioned previously. Figure 3 provides more detail about statewide revenue and student attendance changes by breaking them down in

Figure 3: Annual Statewide Revenue and Student Average Daily Attendance Changes, School Years 2003–04 to 2006–07⁷³



Source: Author’s figure based on California Department of Education, Standardized Account Code Structure (SACS) Unaudited Actual Data.

Notes:

1. The percentage changes in the number of students are based on average daily attendance (ADA), the student enrollment figure used in funding calculations.
2. Inter-district transfer funds that would result in double-counting are excluded.
3. Percentages are calculated using inflation-adjusted revenue amounts in 2006–07 dollars.
4. Revenue for county offices of education is excluded.
5. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts’ general-fund revenue and cannot be isolated.

terms of comparative percentage changes from one school year to the next.

What Figure 3 reveals is that total school-district revenue in real, inflation-adjusted terms *increased* as student attendance essentially *flatlined*, decreasing slightly overall. In fact, the largest annual revenue increase (six percent) between the 2005–06 and 2006–07 school years coincided with the largest dip in the number of students (–0.36 percent). Several factors contribute to this revenue spike.

First, the revenue increase from the 2005–06 school year to the 2006–07 school year was exceptional. The California Teachers Association and Superintendent Jack O'Connell settled their lawsuit against the state concerning prior years' funding requirements under California's minimum state-aid funding guarantee, Proposition 98. Second, higher-than-expected state tax revenue in 2005–06 also contributed to the funding increase during the 2006–07 school year. The majority of state aid is from the Proposition 98 funding guarantee, which increases as state tax revenue increases.⁷⁴ Thus, revenue increased over this time period disproportionately to enrollment.

For the 2006–07 school year, K–12 education received \$2.5 billion in one-time funding, largely from the lawsuit settlement, as well as \$4.5 billion in

ongoing and funding for nearly a dozen new earmark categorical programs.⁷⁵ The Legislative Analyst's Office explained that the new programs spanned “the categorical spectrum,” from “teacher recruitment and retention” to “fruits and vegetables.”⁷⁶ The LAO was critical because a 2004 reform was enacted to streamline the number of categorical programs and improve funding flexibility for public school districts.⁷⁷

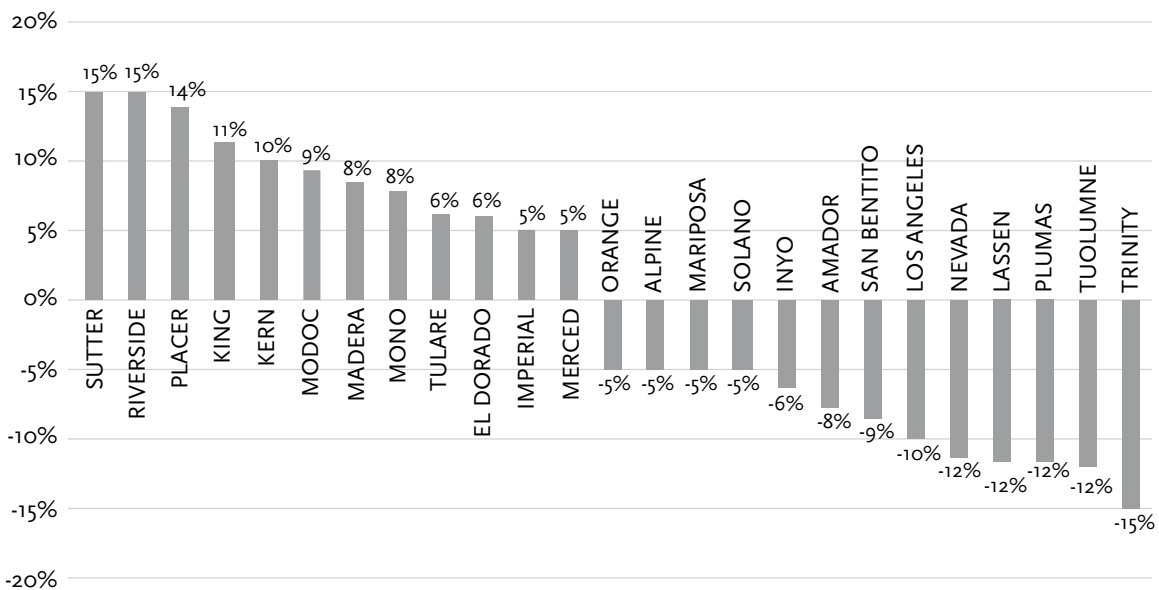
A third factor contributing to the disproportionate revenue increase relative to the statewide enrollment decline is how school districts are funded. Enrollment is expected to continue declining until the 2011–12 school year.⁷⁸ According to one estimate, total statewide K–12 enrollment will decline by more than 55,000 students from the 2007–08 school year to the 2012–13 school year.⁷⁹ Such an overall decline in student enrollment has not happened for more than 20 years.⁸⁰ Under the current finance system, school districts are “held harmless” for declining enrollment for two years. Student enrollment began declining in the 2004–05 year and continued declining in the 2005–06 school year. Each year a school district may opt to be funded based on its current-year ADA; or if its enrollment declined over the previous year, the district may opt instead to receive funding based on its higher, prior-year ADA.

The 2006–07 school year marked the second consecutive year of statewide enrollment declines over the previous school year, meaning declining-enrollment districts were still held harmless and could be funded based on higher, prior-year ADA. That year \$400 million was budgeted for such districts.⁸¹ Thus, in times of steady enrollment decline there is a two-year lag before revenue is adjusted. Once a district's enrollment increases, however, its hold-harmless protection is restored, and it would take another two consecutive years of enrollment declines before its funding would be adjusted down again.⁸² The 2007–08 school year will mark the third consecutive year of declining enrollment statewide. This means general-purpose revenue-limit funding, which is based on each district's ADA, will be adjusted down to reflect fewer students.⁸³

A fourth and final factor concerning revenue relative to enrollment is special-purpose categorical funding. Unlike general-purpose revenue-limit funding, some special-purpose programs are calculated on growth rates that are distinct from the enrollment growth rate. The state legislature can also opt to hold other programs harmless at the prior year's funding level instead of adjusting funding down relative to enrollment declines.⁸⁴

Of course, annual statewide school-district revenue changes

Figure 4: Counties with the Largest Projected K–12 Enrollment Changes as a Percentage, 2007–08 to 2012–13



Source: Author's figure based on data from the State of California, Department of Finance.

conceal what is happening at the local level. From the 2004–05 school year to the 2006–07 school year, approximately half of California's school districts experienced enrollment declines.⁸⁵ The California Department of Finance projects statewide K–12 enrollment from the 2007–08 school year to the 2012–13 school years will drop by almost one percent (0.9 percent), or more than 55,000 students. Some counties will experience dou-

ble-digit percentage declines in K–12 enrollment ranging from 10–15 percent, including Trinity, Tuolumne, Plumas, Lassen, Nevada, and Los Angeles counties. Others will see enrollment increases of 10–15 percent, such as Kern, Kings, Placer, Riverside, and Sutter counties.⁸⁶ Figure 4 illustrates those variances for counties facing a five percent or higher percentage change in their K–12 enrollments over the next five years.

In times of steady enrollment decline there is a two-year lag before revenue is adjusted.

The percentage changes in Figure 4 represent significant numbers of students, ranging from a nearly 63,000-student enrollment increase in Riverside County to an enrollment decline of more than 160,000 students in Los Angeles County. According to Department of Finance

Directing more money into the current system will not dramatically improve student achievement and will meet neither expectations nor needs.

projections, after the 2012–13 school year, enrollment is projected to increase significantly to nearly 6.5 million students.⁸⁷

Such dramatic projected enrollment changes over the next decade underscore the need for accurate, school-level financial data. Just as enrollment changes will vary from county to county, they will certainly vary from school to school—even within the same district. Absent school-level revenue reports, however, it is impossible to know whether public school revenue is meeting the various needs of more than 10,000 California public schools. The highly centralized finance system only compounds this problem. In the near-term, state policy makers will be grappling with California's worst budget deficit in history. Absent readily available school-level data, they will, in effect, be flying blind—unable to ensure that limited resources are targeted to students and schools that need it most, or that resources are being used effectively.

The conclusion of the Stanford University “Getting Down to Facts” experts on this point is sobering: simply “directing more money into the current system will not dramatically improve student achievement and will meet neither expectations nor needs. What matters most are *the ways in which the available resources and any new resources are used.*” [Emphasis in the original]⁸⁸ Under the cur-

rent finance structure, however, there is no real way to assess how effectively existing funds are being used, or how best to direct additional resources. The Stanford University team found that the information needed for

...designing optimal policies is shockingly weak.... [W]ithin California we have a worse situation than in many other states or nations. Our information systems are so inadequate, that even if we implemented reforms that were particularly effective, we might not realize it. Similarly, we cannot be confident that we can recognize and weed out programs that are ineffective at improving student achievement.”⁸⁹

Given the dearth of school-level financial data and the complexity of the state's finance system in general, it is little wonder national public-school finance rankings are so popular. They condense hundreds of pages of complex California figures and formulas into a single table complete with a national average. The trouble is, knowing what North Dakota spends on its public schools tells policy makers here nothing about the needs of California schools. For all their apparent simplicity, national rankings largely obscure the urgent need for more public-school financial transparency. The following sections explore the limitations of public-school finance rankings in greater detail.

HOW MUCH IS “ENOUGH”?

As noted previously in the explanatory discussions of Tables 13–15, per-pupil revenue varies wildly across California school districts for no apparent reason and with no discernable connection to student achievement. Many districts with the lowest revenue have higher student proficiency rates on the CST than districts with the highest revenue, regardless of student demographics. Even worse, state and local funding is inequitably distributed. School districts with the highest proportions of SED and EL students receive the least state and local revenue, while school districts with the lowest proportions of these students receive thousands more in state and local revenue.

Most of the ongoing funding debates, however, focus on how overall statewide public-school funding compares with other states. Because California per-pupil funding is below the levels of some other states and the national average, the argu-

ment goes, that means schools here are underfunded. Table 16 shows that many California schools districts meet and even exceed the national funding average, but significant portions of students are still not proficient in basic subjects such as English language arts or math.

In all, 469 California school districts receive per-pupil funding that exceeds the national average of \$9,963, according to the most recently published ranking, *Education Week's Quality Counts*.⁹⁰ Of those districts, 265 are regular unified, elementary, and high school districts, while another 204 are basic aid and necessary small-schools districts. As shown in Table 15, average per-pupil funding in many of those districts is more than double the national average, but on average only around half of students in those districts are proficient in English language arts or math. The wide variance in student proficiency in relation to per-student funding

Many districts with the lowest revenue have higher student proficiency rates on the CST than districts with the highest revenue, regardless of student demographics.

Table 16: School Districts above the National Per-Pupil Funding Average, 2006–07

District Type	% Districts Above US Average \$	\$ State & Local Per ADA			\$ Total Per ADA			% Proficient: ELA			% Proficient: Math		
		\$	\$	\$	\$	\$	\$	%	%	%	%	%	%
		Low	Avg.	High	Low	Avg.	High	Low	Avg.	High	Low	Avg.	High
	\$9,963												
All Regular (Unified, Elem., High)	37	9,964	12,769	95,036	10,319	13,856	100,503	16	49	90	17	50	92
Unified	36	9,973	11,511	20,059	10,319	12,477	20,598	22	50	88	26	53	92
Elementary	32	9,964	13,725	95,036	10,487	15,000	100,503	16	47	90	17	48	90
High	67	9,973	12,495	32,216	10,517	13,273	32,668	27	50	89	26	52	89
Necessary Small Schools	87	9,979	21,282	214,993	10,387	23,655	236,368	0	39	89	0	38	83
Basic Aid	95	10,067	17,723	20,041	10,612	18,562	69,290	0	64	94	0	63	95

Source: Author's table based on financial and achievement data from the California Department of Education. Financial data are from the Standardized Account Code Structure (SACS) Unaudited Actual Data. Achievement data reflect proficiency rates on the California Standards Test (CST) for English language arts (ELA) and math. The national school-funding ranking referred to is Education Week's Quality Counts 2009.

Notes:

1. Per-pupil revenue based on average daily attendance (ADA), the student enrollment figure used in funding calculations. Inter-district transfer funds that would result in double-counting are excluded.
2. Figures are rounded.
3. For the 2006–07 school year, 308 charter schools filed their SACS submission through their school districts. Under the current reporting structure, charter school data reported this way are included in their school districts' general-fund revenue and cannot be isolated.
4. Only districts at or above the national per-pupil funding average of \$9,963 in state and local funding as published by Education Week are included.
5. See also Endnote 70.

indicates that some California school districts are better directing their resources toward student achievement than others. The practices used in those districts, not some magical funding figure, should be front-and-center in California's public-school finance policy debate.

The following section explores the most popular national funding rankings in greater detail;

however, such comparisons should be carefully considered. The most any finance ranking can reveal—even more sophisticated rankings based on per-capita tax contributions or student and staff expenditures—is how much money schools are getting and spending, not how well students are doing.⁹¹

For example, according the U.S. Census Bureau's annual *Public*

In all, 469 California school districts receive per-pupil funding that exceeds the national average of \$9,963, according to the most recently published ranking, Education Week's Quality Counts.

Education Finances Washington, D.C., public schools typically top national funding rankings with nearly \$18,900 in per-pupil funding. If adjusted to reflect California’s cost of living, that amount would be \$18,700. Yet barely one in 10 D.C. public-school students achieved proficiency in reading and math on the National Assessment of Educational Progress (NAEP), also referred to as the Nation’s Report Card. In runner-up funding states such as New York, Massachusetts, Connecticut, and New Jersey, per-pupil funding ranged from \$14,000 to more than \$17,000 per pupil, or \$16,600 to \$18,600 to reflect California’s cost of living.

Yet in these states, slightly less than two in five students (39 percent on average) achieved proficiency in NAEP reading and math. California ranked in the middle of the pack at 25th in per-pupil funding, and just under one in four students (23 percent on average) achieved proficiency in NAEP reading and math. Meanwhile, students in 22 states on average outperformed California students in NAEP reading and math despite lower per-pupil funding.⁹²

Even if California were to increase its average school district per-pupil funding level of \$11,600 by 62 percent (or \$7,100) to match D.C. public schools’ 2006–07 adjusted per-pupil funding of nearly \$18,700, there is no guarantee

that student achievement would improve by 62 percent.⁹³

In an ideal public-school finance system, the actual per-pupil cost of educating diverse students attending public district schools statewide would be clearly identified, differentiated to reflect student and school characteristics, and adjusted annually to reflect an agreed-upon cost-of-living adjustment, perhaps even regional cost-of-living adjustments. Schools would have the utmost flexibility to use their funding for educational programs and services that best meet the unique needs of their students and to respond to changing needs. In return for such flexibility, schools would publicly report their costs, revenues, and expenditures. Educational programs and services would also be independently evaluated by well-defined, objective measures to ensure their ongoing effectiveness in improving student achievement. Those evaluations would also be publicly reported. Under such an ideal finance system, additional funding could be carefully targeted to schools in need, programs that work, and the most talented teachers. The consensus of leading state and national education experts, however, is that California’s current public-school finance system is far from ideal.

More than a decade ago, in 1997, the Little Hoover Commission concluded that politics, not student performance, was

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the prime mover of the public-school finance system. “The allocation of education funding is driven by resource availability and political considerations rather than a determination of what is required to provide an adequate education.” Absent a clear definition of education costs related to student learning, when it comes to education funding, “It should not be surprising, therefore, that there is never a sure answer to ‘how much is enough?’”⁹⁴ The Commission went on to describe the workings of the existing finance system in the following way:

Money reaches districts, school campuses, and individual classrooms through complex formulas that are difficult to understand and that are constantly manipulated by state policy makers, state bureaucrats, school administrators and outside consultants....The same is true for districts, whose decisions are sometimes driven by financial factors that have only a tenuous connection with educating children.⁹⁵

More recently, several experts have also noted the politicization of California public school finance, particularly with regard to special-purpose categorical funding. School Services of California’s Paul M. Goldfinger and Janelle Kubinec observe, “The growth in the number of categorical programs and the overall increase in funding for

such programs is a deliberate decision by the state to direct resources to particular initiatives, which may or may not reflect the current needs and priorities of local school districts.”⁹⁶

In his extensive study of the development of the current finance system, Stanford University’s Michael Kirst takes direct aim at what he identifies as a leading cause for the growth of categorical programs:

Each categorical program created a constituency of beneficiaries that lobbies to preserve it. A disease of “hardening of the categories” ensued that does not allow localities to shift state funds for local needs, but rather focuses upon compliance with earmarked state funds. Local school officials lack money to clean bathrooms, but have some categorical funds for adult education they cannot spend easily within the school year.⁹⁷

Revenue reported by school districts to the California Department of Education is simply not detailed enough to determine whether they are receiving adequate funding. First, school districts are not required to report their actual costs associated with educating a wide variety of students. Second, the costs of educating students will vary significantly among schools even within the same district; however, school dis-

The allocation of education funding is driven by resource availability and political considerations rather than a determination of what is required to provide an adequate education.

tricts are not required to report school-level information to the state department of education, which diminishes widespread public transparency about how public funds are being used.

Absent reliable, school-level cost and revenue data, annual education finance rankings take on inordinate importance in school finance policy debates. The following section examines the most popular national rankings.

IS CALIFORNIA NEAR THE BOTTOM OF NATIONAL SCHOOL FUNDING RANKINGS?

Just over half of all Californians (51 percent) believe their neighborhood public schools do not receive enough funding, and more than one-third of Californians (36 percent) think the state ranks below the national average or near the bottom of national education-funding rankings.⁹⁸ Media coverage perpetuates this belief.

Last year David A. Sanchez, president of the California Teachers Association (CTA), issued a press statement about the proposed state budget, saying that it “will certainly guarantee that the amount California spends on its students remains locked at the bottom nationwide.”⁹⁹ Several state newspaper stories reported a rank of 48th, which is where California fell on *Education Week's Quality Counts 2008* ranking. Yet if that were so, at least California would not have been alone. Five other states also claimed to be 48th in school funding last year: Florida, Illinois, Nebraska, Nevada, and Oklahoma. This

year the CTA launched a statewide radio ad campaign that said California “sank” to 47th nationally in school funding based on *Education Week's Quality Counts 2009* ranking. Superintendent of Public Instruction Jack O'Connell also cited the 47th-place ranking in his 2009 State of Education Address. No wonder people are confused.

The reality is, where California falls on national school-finance rankings varies depending on how funding is defined—and how it is reported in the press. There are several types of funding ranked by organizations, and some rank multiple types of education funding in a single report. Sometimes organizations rank just state and local per-pupil funding; other times they rank all per-pupil funding, including state, local, and federal. When the press reports a state's “per-pupil funding” ranking, they can be referring either to *revenue* or *expenditures*, which are not the same amounts. Revenue and

expenditures can also be divided into two broad categories.

“Total” per-pupil revenue or expenditures include funding for current operations relating to regular school programs. It also includes interest on school debt and capital outlay, which is funding for the acquisition of land and buildings; construction, remodeling, and additions; and equipment installation and systems expansions. “Current” per-pupil revenue or expenditures are limited solely to school operations and exclude capital outlay and interest on school debt. Funds included are for school personnel salaries (which may or may not include benefits), student transportation, textbook and classroom materials, and energy costs. Typically, funds for state administration are excluded.

Those funding categories can be broken down even further to isolate various services, including instructional support,

administrative support, and various other forms of support. States define these kinds of services differently, so organizations publishing national rankings have to modify varying funding classifications to make uniform state comparisons.

Most experts agree that in terms of total and current per-pupil funding, California ranks around the middle nationally. These experts include the CTA's own parent organization, the National Education Association, which ranks California in 25th place. California's Legislative Analyst's Office and Stanford University education economist Eric Hanushek concur.¹⁰³ As U.S. Department of Education statistician Frank Johnson explains, "California per-pupil funding is near the middle [nationally]. Some people are presenting data in a way that supports their (political) views."¹⁰⁴

The California School Finance Center database accompanying this analysis includes all revenue as reported by school districts to the California Department of Education broken down into the finest level of detail currently possible according to existing revenue categories. This all-inclusive presentation lets database users decide for themselves what revenue to include or exclude depending upon their particular interests. Current rankings report on school finance data that are typically about two or three

years old because of the time it takes to gather and assemble all the necessary information. To make rankings comparisons more meaningful considering California's 2006–07 per-pupil average of \$11,600 based on district reported data, the national rankings amounts in this section are inflation-adjusted to reflect 2006–07 dollar amounts. The actual published amounts and corresponding school years used in the rankings referenced in the following sections are provided in the corresponding endnotes.

National Center for Education Statistics. One of the most popular rankings, particularly among researchers, is published by the U.S. Department of Education's National Center for Education Statistics (NCES). In the annual *Digest of Education Statistics*, California ranks anywhere in per-pupil expenditures from 25th nationally for spending \$10,422 per pupil to 38th for spending \$8,679 per pupil. A state's ranking depends on how many students are used in the per-pupil calculation; whether state, local, and federal funding is included; and what types of expenditures are included, total expenditures or current expenditures, which are limited to operating costs and exclude capital construction costs and debt service.¹⁰⁵

U.S. Census Bureau. The U.S. Census Bureau also publishes a detailed annual finance ranking called *Public Education Fi-*

nances. For current per-pupil expenditures, which exclude capital construction and debt service expenses, California ranks 29th nationally, spending \$9,009 per pupil. For per-pupil revenue, California ranks 25th with \$10,987.¹⁰⁶ The Census Bureau also breaks down per-pupil amounts into a greater level of detail and ranks states accordingly. For example, California ranks 14th nationally for its school administration spending per pupil, which is a support service expenditure for services the principal's office provides; but ranks 49th in per-pupil general administration spending, which is another support service expenditure that goes toward services provided by the board of education and superintendent's offices.¹⁰⁷

National Education Association. A national ranking that garners significant media coverage is *Rankings and Estimates* published annually by the National Education Association (NEA), the country's largest teachers union and the parent organization of the CTA. The California Department of Education posts certain per-pupil expenditure and ranking data from the NEA on its Ed-Data website.¹⁰⁸ Again, where California falls depends on how education funding is defined.¹⁰⁹ On the NEA ranking, California ranks at both 22nd and 27th nationally in per-pupil revenue, \$10,836 and \$11,266, respectively, depending on how many students are used in the per-pupil calculation. The rank-

ing most often cited in the media and presented on the California Department of Education's website is California's NEA per-pupil current *expenditure* figure of \$9,009 per pupil, putting California in 25th place nationally. This expenditure ranking excludes capital construction costs and debt service.¹¹⁰

Education Week. A final popular ranking is *Quality Counts*, published annually by America's education newspaper of record, *Education Week*. In 2008 it ranked California lower than any other major ranking at 48th for per-pupil spending of \$7,518.¹¹¹ This ranking is unique, especially given the numerous adjustments its authors use for comparability and its own grading purposes. The 2008 ranking uses eight measures to grade states' finances. Sensationalized media coverage of California's spending rank should be viewed cautiously, particularly if it is reported without the broader state context *Education Week* attempts to provide. "States are graded across the dual dimensions of school spending and the equitable distribution of resources. But our focus is not on sheer dollars spent," explain the *Education Week* editors, who caution that

...educational expenditures are evaluated against some relevant criterion or benchmark, such as regional differences in costs, the national average for per-pupil expenditures, or the total

size of a state's budget....A given state may fare well on some measures of equity but poorly on others, since each indicator provides a somewhat different perspective on what it means for school funding to be "equitably" distributed within a state.¹¹²

In its just-released 2009 ranking, California falls at 47th place, with \$7,471 in per-pupil expenditures. Because the *Education Week* authors use unique grading and weighting methodologies for each edition, they caution that rankings may not be comparable from year to year.¹¹³

Thus, depending on the national comparison used—and how it is publicized—California ranks anywhere from 22nd to 48th nationally in school finance, with reported per-pupil funding ranging from around \$7,500 to more than \$11,600. In addition to methodological complexities, the real trouble with funding rankings is that they tell parents and the public remarkably little about what matters most: student learning.

That is why the California Public School Finance Center database accompanying this analysis allows users to compare similar districts over time. Some school districts are successful at educating students, while others are not. The amount of revenue school districts receive is an important component to that success, but just as impor-

The real trouble with funding rankings is that they tell parents and the public remarkably little about what matters most: student learning.

tant is using revenue well. The achievement results alongside the finance information in the accompanying database give users a more complete picture of funding adequacy and effectiveness than do national rankings. The database also helps identify successful schools, which can assist in better directing public resources to programs and practices that are working.

CONCLUSION AND RECOMMENDATIONS

To improve the California public-school finance system, this analysis recommends that the state:

1. Convert the current school-district special-purpose earmark categorical funding structure into a general-purpose funding structure similar to the one used by charter schools. The current categorical system diminishes the discretion public schools have over their budgets. Moreover, with around 65 categorical programs per school district on average, the categorical system puts a costly administrative burden on schools.
2. State and local general-purpose revenue-limit funding is based on arcane formulas dating back to the early 1970s. Those formulas should be based instead on individual student and school demographics and adjusted annually according to an agreed-upon, regional cost-of-living factor.
3. Require that the California Department of Education publicize audited school-level financial reports. Currently, the department releases only unaudited, district-level financial data. School districts are already required to conduct annual audits, and under the existing financial reporting system it is possible to submit school-level financial reports.
4. The state should also require the California Department of Education to release uniform charter data, including school ADA figures used in per-pupil revenue calculations. Currently the department does not release this information along with their financial reports. Consequently, state agencies such as the Legislative Analysts's Office and the Department of Finance must use estimates.

ABOUT THE AUTHOR

Vicki E. Murray, Ph.D.
Associate Director, Education Studies

Vicki E. Murray is the Associate Director of Education Studies at the Pacific Research Institute for Public Policy (PRI). Dr. Murray's research focuses on education reform measures to improve academic accountability at all levels, promote a competitive education climate, and increase parents' control over their children's education. Her research areas include district and charter school choice, early education, education tax credits and savings accounts, English language learners, special education, standards and testing, teacher pay and quality, vouchers, higher education reform, and education finance, both K-12 and postsecondary.

Dr. Murray is the former director of the Goldwater Institute Center for Educational Opportunity in Phoenix, Arizona, and the author of more than a dozen education policy studies. She has advised the U.S. Department of Education on public school choice and higher education reform. She has also advised education policy makers in nearly 30 states, provided expert testimony before state legislative education committees, and served on two national accountability task forces. Dr. Murray's research helped advance four parental choice voucher and tax-credit scholarship programs in Arizona in 2006, and she provided expert affidavits as part of the successful legal defense of choice programs for low-income, foster-care, and disabled children. Dr. Murray's research and writings on market education policy have been widely published and cited in state and national media and research outlets, as well as outlets in Canada, Great Britain, Mexico, and New Zealand.

Prior to her career in education policy, Dr. Murray taught college-level courses in American politics, English composition and rhetoric, and early British literature. She has lectured at universities nationwide, including the U.S. Military Academy, West Point. Dr. Murray received her Ph.D. in politics from the Institute of Philosophic Studies at the University of Dallas, where she was an Earhart Foundation Fellow.

APPENDIX A: RESOURCES ON PROPOSITION 13

Proposition 13, the 1978 ballot measure to limit property taxes, remains controversial three decades after its passage. In spite of the fact that 65 percent of California voters passed Proposition 13, representing all but three California counties, the measure is frequently blamed for leaving California schools underfunded. The California Teachers Association claims passage of Proposition 13 is responsible for the state going “From First to Worst” in terms of student achievement. See Sherry Posnick-Goodwin, “California educators RIF’d,” *California Educator*, Volume 12, Issue 7–April 2008, http://www.cta.org/media/publications/educator/current/0408_feat_01.htm. A 1994 *Money* magazine cover story claimed, “Before Prop. 13, [California] ranked among the nation’s top five in achievement for kindergarten through grade 12, but since then it has steadily dropped in the bottom 10 of the 50 states.” See Richard Reeves, “The Tax Revolt That Ruined California,” *Money*, December 19, 2004, <http://www.jetsinsider.com/forums/archive/index.php/t-81882.html>. In 2005, a RAND analysis claimed, “Proposition 13 may have caused the rapid decline in the late 1970s and early 1980s in expenditures as a fraction of personal income.” The analysis authors admitted, however, “It is impossible to make a direct link between low funding levels and low student achievement levels in California, because the state has no reliable longitudinal data on achievement reaching back to the 1970s.” See Jennifer Sloan McCombs and Stephen J. Carroll, “Ultimate Test: Who Is Accountable for Education If Everybody Fails?” *RAND Review*, Spring 2005, <http://www.rand.org/publications/randreview/issues/spring2005/ulttest.html>. Others disagree.

The *Wall Street Journal*’s Steven Moore noted in 1998 that “on two separate occasions, less draconian versions of Proposition 13 had failed. But by 1978 raging inflation had sent property tax bills in the Golden State soaring so high that many families had to sell their homes because they couldn’t afford to pay their taxes. Despite a torrent of horror stories from teachers’ unions, politicians, newspapers, and corporate lobbyists in Sacramento about the potentially devastating effects of Proposition 13.... In real dollars, California’s budget climbed from \$55 billion in 1980 to \$97 billion in 1992—a 75 percent increase above inflation! Only in government would a 75 percent real spending hike be considered inadequate and neglectful.” See Stephen Moore, “Proposition 13 Then, Now and Forever,” Cato Institute, July 30, 1998, http://www.cato.org/pub_display.php?pub_id=5682. Recent analyses concur. See Daniel Weintraub, “Prop. 13 did everything it promised, and more,” *Sacramento Bee*, June. 8, 2008, <http://www.sacbee.com/110/story/995597.html>; and Lance T. Izumi, “Prop 13 and the education-funding blame game,” *Sacramento Union*, September 17, 2008, <http://www.sacunion.com/pages/columns/print/10513/>.

For additional history on Proposition 13, see Daniel A. Smith, "Howard Jarvis, Populist Entrepreneur: Reevaluating the Causes of Proposition 13," *Social Science History*, Vol. 23, No. 2. (Summer, 1999), pp. 173–210, <http://www.clas.ufl.edu/users/dasmith/ssh.pdf>; "Proposition 13: Love it or Hate it, its Roots Go Deep," Cal-Tax Research, November 1993, <http://www.caltax.org/research/prop13/prop13.htm>. See also Robert W. Wassmer, "California's State and Local Revenue Structure after Proposition 13: Is Denial an Appropriate Way to Cope?" Prepared for presentation at the "State and Local Tax Policy—Out of the Box" Conference at the Andrew Young School of Policy, Fiscal Research Center, Georgia State University, May 14, 2008, <http://www.csus.edu/indiv/w/wassmerr/denial.pdf>; and Jeffrey I. Chapman, "Proposition 13: Some Unintended Consequences," Public Policy Institute of California, September 1998, <http://www.ppic.org/main/publication.asp?i=116>.

ENDNOTES

- ¹ See California Department of Education, Ed-Data, “State Reports: Profile of State 2006–07,” on the “General information” tab, <http://www.ed-data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2Fprofile%2Easp%3Flevel%3D04%26reportNumber%3D16>.
- ² Legislative Analyst’s Office, *California Spending Plan 2008–09: The Budget Act and Related Legislation*, Figure 5, p. 7, November 1, 2008, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1892>; cf. “Education Chapter” in *Analysis of the 2008–09 Budget Bill*, Figure 1, p. 46, February 20, 2008, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1720>. See also “How California’s School Districts Spend Their Funds,” California Budget Project, May 2008, p. 1, http://www.cbp.org/pdfs/2008/080506_HowDistrictsSpendtheirFunds.pdf.
- ³ See National Association of State Budget Officers, “The Fiscal Survey of States (1977–2008),” Table A–1, p. 23 of “2007 Fall (enacted),” <http://www.nasbo.org/publicationsReport.php>.
- ⁴ See the California list of “Fortune 1,000 companies in your state,” which appeared in the April 30, 2007, issue of *Fortune* magazine, available online at <http://money.cnn.com/magazines/fortune/fortune500/2007/states/CA.html>. The 2007 list is used to be consistent with the 2006–07 school year and financial data used in this analysis. The California public school system would also rank higher than numerous U.S. Fortune 500 companies, including Archer Daniels Midland, PepsiCo, FedEx, Honeywell International, DuPont, Macy’s, Cisco Systems, American Express, and Coca-Cola. See the U.S. list of the “Fortune Global 500, 2007” which appeared in the July 23, 2007, issue of *Fortune* magazine, available online at <http://money.cnn.com/magazines/fortune/global500/2007/countries/US.html>.
- ⁵ Deb Collars, “A labyrinth of spending,” *Sacramento Bee*, February 2, 2003.
- ⁶ Susanna Loeb, Anthony Bryk, and Eric Hanushek, “Getting Down to Facts: School Finance and Governance in California,” Overview Paper, Institute for Research on Education Policy and Practice, Stanford University, March 2007, pp. 14, 15, and 40, <http://irepp.stanford.edu/projects/cafinance.htm>.
- ⁷ For financial reporting purposes, the California Department of Education treats the state’s 58 County Offices of Education as if they were school districts. Therefore, this analysis does as well. See the California Department of Education’s Ed-Data website, “County Offices” tab on the “Financial Reports for the State, 2006–07,” <http://www.Ed-Data.k12.ca.us/>. A total of 617 charter schools filed financial information for the 2006–07 school year. Only the 54 charter schools filing school-level SACS data and the 232 charter schools filing the Charter School Unaudited Actuals Financial Report Alternate Form, or Alternate Form, had complete data and could be included in this analysis. Of the remaining charter schools, 308 filed their SACS financial data with their school districts, and 23 filed their SACS financial data with their County Offices of Education (COEs). Under the current district-level financial reporting system, financial and attendance data for these 331 charter schools cannot be broken out from their respective districts or COEs and are therefore included within those entities’ total funding figures. See the California Department of Education, Ed-Data, “School Districts” tab on the “Financial Reports for the State, 2006–07,” <http://www.Ed-Data.k12.ca.us/>. An additional 13 charter schools did not file financial information for the 2006–07 school year. Eight had closed; one was inactive; and three had their charters revoked. See the California Department of Education, “View a List of California Charter Schools” on the Charter School Locator website, <http://www.cde.ca.gov/ds/si/cs/>. For more information on charter school financial reporting using SACS and the Alternate Form, see the *California School Accounting Manual* (CSAM), Procedure 810, <http://www.cde.ca.gov/fg/ac/sa/>.

- ⁸ For more information on SACS, see the California Department of Education's "Annual Financial Data" website, <http://www.cde.ca.gov/ds/fd/fd/>. Also see the "About SACS" web page on the Ed-Data website, available through the "SACS" link on the "Intro" tab of the "Financial Reports for State, 2006–07" web page, <http://www.ed-data.k12.ca.us/>.
- ⁹ Object Codes 8911–8919 and 8980–8998. Excluded codes confirmed by a California Department of Education Financial Accountability and Information Services Fiscal Services consultant in an October 1, 2008, email to the author. Not all transfer funds are excluded from this analysis and accompanying online database or the California Department of Education's Ed-Data website. Only the ones that would lead to double-counting if included. Excluded inter-agency transfer revenue categories include "transfers of funds from one school district to another. The receiving school district is responsible for their use. Examples are transfers of apportionments for Special Education and Regional Occupational Center/Programs, transfers of local revenues (e.g., property taxes) from a sponsoring school district to a charter school, and payments for goods or services." The California Department of Education, however, does note, "Statewide district revenue and expenditure totals are overstated by approximately 2 percent (3 percent in 2006–07) because districts sometimes transfer funds, and those transfers can be double counted." The department adds, "The statewide financial data on Ed-Data includes interagency transactions both when they appear as an expenditure in one district and as a revenue in another. This results in a double counting that slightly distorts revenues and expenditures. Excluding these interagency transactions would result in a reduction of approximately 2 percent (3 percent in 2006–07) for statewide district totals. Ideally, expenditures from the recipient school district would be balanced by revenue reported from the sending district, but limitations in the financial reporting system make a certain amount of double counting unavoidable." Thus, these inherent SACS revenue distortions will also be reflected in the California Public School Finance Database as they are in Ed-Data. See the "Interagency Transactions" website available by clicking the web link on Ed-Data's "State Reports: Financial Reports for the State, 2006–07," on the "School Districts" tab, <http://www.ed-data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2Fprofile.asp%3Flevel%3Do6%26reportNumber%3Di6>.
- ¹⁰ See "Note" on the "Statewide Totals and Averages for School Districts General Fund FISCAL YEAR: 2006–07" web page of the California Department of Education's Ed-Data website ("Financial Reports for State 2006–07 / "School Districts" tab), <http://www.Ed-Data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2Fprofile%2Easp%3Flevel%3Do4%26reportNumber%3Di6>.
- ¹¹ Because the revenue and average daily attendance figures in California School Finance Center database are not rounded, they differ slightly from Ed-Data figures, which are rounded. Average daily attendance, or ADA, is the state's method of counting students for financial reporting purposes. It is "the total days of student attendance, divided by the number of instructional days in the school year." While school districts report ADA to the California department of Education three times a year, enrollment is the student count from a specific day in October. ADA is typically five percent less than actual enrollment because student absences are not counted. For more information on ADA, see the California Department of Education, "Counting Students, ADA and enrollment" on the "Financial Reports on Ed-Data" website, <http://www.ed-data.k12.ca.us/>; for a more detailed treatment of the various considerations to keep in mind, see Legislative Analyst's Office, see "Per-Pupil Funding" in the "Education Chapter" of *Analysis of the 2008–09 Budget Bill*, February 20, 2008, pp. 56 and 57, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1720>. While there is scholarly disagreement over the best method for counting students for financial reporting purposes, this analysis and database use the same ADA as the state department of education. Because enrollment figures are also provided, users may use them as well to derive per-pupil revenue amounts (total revenue / enrollment), which will yield a lower figure than the per-ADA figures given.
- ¹² The California Department of Education releases limited information for Charter schools that complete the Alternate Form. This form, however, does not include the same level of detail as the SACS submission form used by school districts and the 54 charter schools submitting school-level SACS. For all Object Codes used, see the California School Accounting Manual (CSAM) Procedure 810, "Charter Schools." For account definitions, see CSAM Procedure 330. For more information on the charter school-level SACS and the Alternate Form, see the California Department of Education's "Financial Reporting" website, <http://www.cde.ca.gov/fg/sf/fr/>
- ¹³ See Ed-Data, "State Reports: Financial Reports for the State, 2006–07," on the "School Districts" tab, <http://www.ed-data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2Fprofile.asp%3Flevel%3Do6%26reportNumber%3Di6>.
- ¹⁴ Confirmed by the California Department of Education, Financial Accountability and Information Services consultant, in a November 12, 2008, email to the author. Of the 331 charter schools, 308 filed their SACS financial data with their school districts, and 23 filed their SACS financial data with their County Offices of Education (COEs). For financial reporting purposes, COEs are treated as school districts by the state department of education. Their General Fund, however, is referred to as the County School Service Fund. See the California Department of Education, "County Office Reports" on the "Financial Reports on Ed-Data" website, <http://www.ed-data.k12.ca.us/> Under the current district-level financial reporting system, financial and attendance data for these 331 charter schools cannot

be broken out from their respective districts or COEs and are therefore included within those entities' total funding figures. See the California Department of Education, Ed-Data, "School Districts" tab on the "Financial Reports for the State, 2006–07," <http://www.Ed-Data.k12.ca.us/>.

- 15 On the difference between the principle of "fiscal neutrality" underlying *Serrano v. Priest* and the theories of "equity" and "adequacy" advocating subsequent cases, see John E. Coons, "Private Wealth and Public Schools," *Stanford Journal of Civil Rights & Civil Liberties*, Volume VI, Issue Two (2008). The author wishes to thank Professor Coons for providing a copy of the unpublished manuscript for this analysis. On the Serrano decision, see Jon Sonstelie, Eric Brunner, and Kenneth Ardon, *For Better or For Worse? School Finance Reform in California*, February 2000, <http://www.ppic.org/main/publication.asp?i=65>; and Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008).
- 16 For excellent histories of the California school finance system, see Jon Sonstelie, Eric Brunner, and Kenneth Ardon, *For Better or For Worse? School Finance Reform in California*, February 2000, <http://www.ppic.org/main/publication.asp?i=65>; and Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008). On Proposition 13, see: Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, p. 7, <http://irepp.stanford.edu/projects/cafinance-studies.htm>. For additional information on Proposition 13, see the Appendix.
- 17 Michael M. Kirst, *The Evolution of California's State School Finance System and Implications from other States*, 2006, Institute for Research on Education Policy and Practice, Stanford University, pp. 1 and 2, <http://irepp.stanford.edu/projects/cafinance-studies.htm>. On the implications of having one of the country's most centralized school finance systems, see also Jon Sonstelie, Eric Brunner, and Kenneth Ardon, *For Better or For Worse? School Finance Reform in California*, February 2000, <http://www.ppic.org/main/publication.asp?i=65>. For chronological summaries see the California Department of Education, "A Guide to California's School Finance System," Ed Data, February 2007, <http://www.ed-data.k12.ca.us/>; and Ed-Source, "School Finance Basics: History," <http://www.ed-data.k12.ca.us/>. For more extensive presentations, see Mary Perry, "Rethinking How California Funds its Schools," EdSource, May 2004, p. 3, http://www.edsource.org/pub_rethink5-04.html; Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, <http://irepp.stanford.edu/projects/cafinance.htm>; Susanna Loeb, Anthony Bryk, and Eric Hanushek, "Getting Down to Facts: School Finance and Governance in California," (Overview paper), Institute for Research on Education Policy and Practice, Stanford University, March 2007, p. 40, <http://irepp.stanford.edu/projects/cafinance.htm>; and Susanna Loeb, Jason Grissom, and Katharine Strunk, *District Dollars: Painting a Picture of Revenues and Expenditures in California's School Districts*, December 2006, Institute for Research on Education Policy and Practice, Stanford University, <http://irepp.stanford.edu/projects/cafinance-studies.htm>.
- 18 Jon Sonstelie, "Financing California's Public Schools" in *Conditions of Education in California 2008*, Policy Analysis for California Education, p. 52, <http://pace.berkeley.edu/2008/10/02/conditions-of-education-in-california-2008/>.
- 19 Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, pp. 12–15 <http://irepp.stanford.edu/projects/cafinance-studies.htm>. This formula has been adjusted several times since then for average daily attendance calculations, cost of living adjustments (COLAs), growth, equalization, and other adjustments. For a summary overview, see the California Department of Education, Ed-Data's "A Guide to California's School Finance System" website, February 2007, <http://www.ed-data.k12.ca.us/>; and Ed-Data "School District Income" website, February 2007, <http://www.ed-data.k12.ca.us/>.
- 20 Author's figures based on data from the California Department of Education, "Calculations to determine the 2006–07 Second Principal Apportionment (P–2)" website, <http://www.cde.ca.gov/fg/aa/pa/calculation0607p2.asp>. Several adjustments are made to this amount, not shown here. See Paul M. Goldfinger and Janelle Kubinec, "Revenue Limits" in *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008).
- 21 Brian Edwards and Mary Perry, "School Finance 2006–07: State Leaders Settle Up with Education," October 2006, p. 5, http://www.edsource.org/pub_SchFin06-07_report.html; and Paul M. Goldfinger and Janelle Kubinec, "Revenue Limits" in *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), pp. 180 and 181.
- 22 See California Department of Education, "Categorical Aid" on the Ed-Data website, February 2008, <http://www.ed-data.k12.ca.us/>; the "Categorical Programs" website, <http://www.cde.ca.gov/fg/aa/ca/>. For more extensive treatments of categorical revenue, see Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, pp. 18–29, <http://irepp.stanford.edu/projects/cafinance-studies.htm>; Paul M. Goldfinger and Janelle Kubinec, "Revenue Limits" in *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008).

- ²³ Average daily attendance (ADA) is, “The total number of days of student attendance divided by the total number of days in the regular school year. A student attending every school day would equal one ADA. Generally, ADA is lower than enrollment due to such factors as transience, dropouts, and illness. A school district’s revenue limit income is based on its ADA. The state collects ADA counts at the district but not the school level.” See the California Department of Education’s Ed-Data Glossary, <http://www.ed-data.k12.ca.us/>.
- ²⁴ Detailed information and definitions are also provided by the California Department of Education, on its Ed-Data “General Fund—Revenues: Statewide Totals and Averages, 2006–07” interactive chart. Additional definitions from Paul M. Goldfinger and Janelle Kubinec, “Revenue Limits” in *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008). For more information, see Procedure 310 of the *California School Accounting Manual* (CSAM) for the 2006–07 school year, <http://www.cde.ca.gov/fg/ac/sa/>.
- ²⁵ The California Department of Education also presents five types of revenue on its Ed-Data website. According to Ed-Data, about 61 percent of K–12 education funding is from the state budget, which includes individual, corporate, sales, and special taxes. Local property taxes account for roughly 21 percent of K–12 education funding, while federal funding represents around 11 percent. Another six percent of K–12 education funding comes from miscellaneous local funding, which includes commercial or residential construction fees, cafeteria sales, and donations from parents, businesses and foundations. Rounding off K–12 education funding is state lottery revenue at one percent. See California Department of Education, “A Guide to California’s School Finance System,” February 2007, Ed-Data, <http://www.ed-data.k12.ca.us/>. See also Brian Edwards and Mary Perry, “School Finance 2006–07: State Leaders Settle Up with Education,” EdSource, October 2006, http://www.edsource.org/pub_SchFin06-07_report.html.
- ²⁶ See Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, pp. 12–18, <http://irepp.stanford.edu/projects/cafinance.htm>; and Chapter 3 of Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008).
- ²⁷ California Department of Education, “School Districts” tab on the Ed-Data “Financial Reports, 2006–07” website, <http://www.ed-data.k12.ca.us/>. As of the 2006–07 school year, there were 1,052 California school districts. Of those districts, 560 were elementary districts (53 percent); 87 were high school districts (eight percent); and 330 were unified school districts (31 percent), which combined represented 92 percent of all California district types. See Ed-Data, “Profile of State, 2006–07.”
- ²⁸ There were 87 basic aid school districts as of the 2006–07 school year. See the California Department of Education, “Average Daily Attendance” excel spreadsheet created October 9, 2007, on the “2007–08 Advance Apportionment ADA—Section 75.70” website, <http://www.cde.ca.gov/fg/aa/pa/ada75710708.asp>. See also Ed Source, “Basic Aid School District,” <http://www.edsource.org/1079.html>; and the California Department of Education, “Basic Aid” on the Ed-Data “Glossary of Terms” web page, <http://www.ed-data.k12.ca.us/>.
- ²⁹ A list of districts with designated necessary small schools for the 2006–07 school year were provided to the author by the California Department of Education on December 5, 2008, via email because these schools are not listed on the department’s website. Although necessary small-schools funding is part of the revenue-limit state-aid funding (Object Code 8011), SACS reports filed by school districts do not break this funding out. The California Department of Education does, however, provide information on its “Principal Apportionments” website. See “Calculations to Determine the 2006–07 P–2,” <http://www.cde.ca.gov/fg/aa/pa/calculation0607p2.asp> for the 2006–07 school year. For additional information, see California Education Codes 42285, 42282.1, 42283.6, 42285.4, and 42283.2. See also Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), pp. 53–56.
- ³⁰ Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), p. 53.
- ³¹ California Education Code 42285.
- ³² California Education Codes 42282.1, 42283.6, 42285.4, and 42283.2. For additional information, see also Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), p. 57.
- ³³ California Education Code 42283.1.
- ³⁴ California Education Code 46610.
- ³⁵ California Education Code 42238.22
- ³⁶ For a more detailed treatment of the various considerations to keep in mind, see the Legislative Analyst’s Office “Per-Pupil Funding” in the “Education Chapter” of *Analysis of the 2008–09 Budget Bill*, February 20, 2008, pp. 55–60, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1720>.

- ³⁷ Database users can identify and exclude this revenue if they wish by clicking on the “State Aid,” “Other State Revenue,” and “Other Local Revenue” links. Simply subtract the corresponding per-pupil revenue amounts from the total per-pupil revenue figure for the selected school district. However, because average daily attendance is not reported by program, the database cannot present corresponding enrollment figures for various programs, including enrollment for charter schools filing SACS reports with their districts, adult education, child development, and nutrition programs. As a result, the adjusted per-pupil figure based on revenue for those programs will be artificially low.
- ³⁸ Legislative Analyst’s Office “Education Chapter” of *Analysis of the 2008–09 Budget Bill*, p. 57, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8.pdf. See also the California Department of Education, “District context makes comparisons more meaningful” on the “Financial Reports on Ed-Data” website, <http://www.ed-data.k12.ca.us/>.
- ³⁹ The California Department of Education explains, “The ‘average’ on the Ed-Data Financial Statements is the total, by line item, of the amounts for all similar type districts, divided by the total average daily attendance for those same districts.” See the “General Fund” section on Ed-Data’s “Financial Reports on Ed-Data” web page, <http://www.ed-data.k12.ca.us/>.
- ⁴⁰ See the “School Districts” tab on Ed-Data’s “Financial Reports for State 2006–07” web page, <http://www.ed-data.k12.ca.us/>.
- ⁴¹ Inclusion of these districts was confirmed in a December 17, 2008, email from the California Department of Education to the author.
- ⁴² Combined necessary small-schools district and basic aid district average daily attendance (ADA) was 244,763 students in the 2006–07 school year, or four percent of the statewide total ADA of 5,864,761.
- ⁴³ Center for Education Reform, “K–12” Facts,” June 2008, <http://www.edreform.com/index.cfm?fuseAction=section&pSectionID=15&cSectionID=97>; and “Charter School Facts,” September 18, 2007, <http://www.edreform.com/index.cfm?fuseAction=document&documentID=1964>.
- ⁴⁴ California Department of Education, Ed-Data, <http://www.ed-data.k12.ca.us/>. See also EdSource, “Charter School History and Policy” website, http://www.edsource.org/iss_charter_policy.html.
- ⁴⁵ Mary Perry, Isabel Oregón, and Susan Frey, “Understanding School District Budgets: A Guide for Local Leaders,” EdSource, January 2005, p. 13; and EdSource, “Charter School History and Policy” website, http://www.edsource.org/iss_charter_policy.html.
- ⁴⁶ Mary Perry, Isabel Oregón, and Susan Frey, “Understanding School District Budgets: A Guide for Local Leaders,” EdSource, January 2005, p. 13; California Department of Education, “Charter School General Information” web page, <http://www.cde.ca.gov/sp/cs/re/csabout.asp>. See also, Center for Education Reform, “California” in *Charter School Laws Across the States*, May 5, 2008, <http://www.edreform.com/index.cfm?fuseAction=section&pSectionID=14&cSectionID=122>.
- ⁴⁷ California Charter Schools Association, “About Charter Schools” website, http://www.myschool.org/AM/Content-ManagerNet/Default.aspx?Section=About_Charter_Schools&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=2&ContentID=3538; California Department of Education, “Charter School General Information” web page, <http://www.cde.ca.gov/sp/cs/re/csabout.asp>; California Department of Education, “California Charter School Facts” website, <http://www.cde.ca.gov/sp/cs/re/csfactsapro4.asp>; and “School Facilities” in the “Education Chapter” of the Legislative Analyst’s Office *Analysis of the 2008–09 Budget Bill*, February 28, 2008, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8014.aspx#zxee_link_1_1202764956.
- ⁴⁸ California Education Code, Section 47605(a)(1)(B)(6)(b), <http://www.leginfo.ca.gov/cgi-bin/waisgate?WAISSdocID=37523112190+0+0+0&WAISSaction=retrieve>.
- ⁴⁹ Michael M. Kirst, *The Evolution of California’s State School Finance System and Implications from other States*, 2006, Institute for Research on Education Policy and Practice, Stanford University, pp. 14 and 15, <http://irepp.stanford.edu/projects/cafinance-studies.htm>; cf. EdSource, “Charter Schools in California: An Experiment Coming of Age,” June 2004, p. 16, http://www.edsource.org/pub_CharterPerf6-04_report.html.
- ⁵⁰ California Department of Education, “Charter School General Purpose Block Grant” website, <http://www.cde.ca.gov/fg/fo/profile.asp?id=1277>. See also California Department of Education, “Charter School—Funding Components” website, <http://www.cde.ca.gov/sp/cs/as/csfundcomp.asp>.
- ⁵¹ Estimates are for the 2007–08 school year. See Charter Schools Development Center (CSDC), “California Charter School Finance in a Nutshell,” p. 1, available through CSDC’s “California Charter School Finance” website, <http://www.cacharterschools.org/Resources/finance.html>, or directly via http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf. See also the Legislative Analyst’s Office, “Assessing California’s Charter Schools,” January 20, 2004, p. 8, <http://www.lao.ca.gov/LAOApp/PubDetails.aspx?id=1071>.
- ⁵² “School Facilities” in the “Education Chapter” of the Legislative Analyst’s Office *Analysis of the 2008–09 Budget Bill*, February 28, 2008, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8014.aspx#zxee_link_1_1202764956.

There are other state funds under Proposition 39 and SB 740 facility grants for eligible schools. Over the years, several measures have been adopted and amended to help charter schools obtain and equip their facilities; however, some of those measures have created confusion and controversy over school districts' obligations. See, for example, EdSource, "California Charter School Policy Update: Legislators focus on facilities, financing, and governance," June 2007, http://www.edsource.org/pub_CharterPerf6-07_policy.html; "Court Rules in Favor of Los Angeles Charter School in Lawsuit Against LAUSD," *Forbes.com*, October 6, 2008, <http://www.forbes.com/businesswire/feeds/businesswire/2008/10/06/businesswire20081006006296r1.html>; the California Charter Schools Association, <http://www.myschool.org/>; and Eric J. Brunner, *Financing School Facilities in California*, Institute for Research on Education Policy and Practice, Stanford University, October 25, 2006, <http://irepp.stanford.edu/projects/cafinance-studies.htm>.

- ⁵³ Charter Schools Development Center, "California Charter School Finance in a Nutshell," available through CSDC's "California Charter School Finance" website, <http://www.cacharterschools.org/Resources/finance.html>, or directly via http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf.
- ⁵⁴ California Department of Education, "Charter School—Funding Components" website, <http://www.cde.ca.gov/sp/cs/as/csfundcomp.asp>. The funding mechanism for charter schools was amended in 2005. Under the current lump-sum mechanism, charter schools receive a set amount per student enrolled, increasing from \$400 per student in the 2006–07 school year to \$500 per student in the 2007–08 school year. Each year thereafter, the charter school lump-sum amount will increase according to the number of students attending and a cost of living adjustment, referred to as a COLA, and the lump-sum amounts will be reviewed every three years. The new law specified a list of excluded categorical funding programs for charter schools but allows them to apply for all future categorical fund programs unless expressly prohibited by the legislature. It was predicted that charter schools would initially receive significantly more funding than they did under the block-grant model, but that funding was expected to level off beginning in the current 2008–09 school year. See Charter Schools Development Center, "How the New Charter Laws Affect You," 2005, pp. 13, 14, 26, and 27, available on the "California Charter School Law and Policy" website, <http://www.cacharterschools.org/Resources/lawpolicy.html>. cf. "California Charter School Finance in a Nutshell," http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf; and Education Code 47634 in *California's Revised Charter Schools Act*, pp. 26 and 27, http://www.cacharterschools.org/pdf_files/Charter%20Codes%2003%2029%2008.pdf. Before 2005, charter schools received block-grant funding that combined revenue for more than 40 state categorical earmark programs that school districts receive. Though intended better to ensure that all public schools in California, both charter and district, receive comparable funding, in practice this block-grant funding mechanism increased bureaucratic red tape and contributed to revenue disparities between district and charter public schools. See Legislative Analyst's Office, "Assessing California's Charter Schools," January 20, 2004, pp. 8 and 22 ff., <http://www.lao.ca.gov/LAOApp/PubDetails.aspx?id=1071>; cf. Mary Perry, Isabel Oregon, and Susan Frey, "Understanding School District Budgets: A Guide for Local Leaders," EdSource, January 2005, pp. 13 and 16. See also the Legislative Analyst's Office, "Charter Schools" in the "Education Chapter" of *Analysis of the 2005–06 Budget Bill*, February 24, 2005, http://www.lao.ca.gov/analysis_2005/education/ed_09_Charter_Schools_anl05.htm#_Toc96487574; "History and Development of Charter School Policy in California," Presented to Senate Select Committee on California's Master Plan for Education, Informational Hearing on Charter Schools, August 7, 2006, <http://www.lao.ca.gov/LAOApp/PubDetails.aspx?id=1506>; and California Department of Education, "Economic Impact Aid" website, <http://www.cde.ca.gov/fg/aa/ca/eia.asp>. For more information on charter school finance, see the California Department of Education, "CDE Information & Resources for Charter Schools" website, <http://www.cde.ca.gov/sp/cs/re/>; California Charter Schools Association, "Finance" website, <http://www.myschool.org/AM/ContentManagerNet/Default.aspx?Section=FinanceGeneral&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=7&ContentID=3951>; EdSource, "Charter School History and Policy" website, http://www.edsource.org/iss_charter_policy.html; and "Selected Charter School Laws and Policies" website, http://www.edsource.org/iss_charter_laws.html.
- ⁵⁵ Charter Schools Development Center, "California Charter School Finance in a Nutshell," available through CSDC's "California Charter School Finance" website, <http://www.cacharterschools.org/Resources/finance.html>, or directly via http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf; California Charter Schools Association, February 18, 2009, email correspondence with author.
- ⁵⁶ Legislative Analyst's Office, "History and Development of Charter School Policy in California," Presented to the Senate Select Committee on California's Master Plan for Education, Informational Hearing on Charter Schools, "August 1, 2006, p. 3, http://www.lao.ca.gov/handouts/education/2006/Charter_School_Policy_080106.pdf; Charter Schools Development Center, "California Charter School Finance in a Nutshell," available through CSDC's "California Charter School Finance" website, <http://www.cacharterschools.org/Resources/finance.html>, or directly via http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf.

- ⁵⁷ Charter Schools Development Center, “California Charter School Finance in a Nutshell,” available through CSDC’s “California Charter School Finance” website, <http://www.cacharterschools.org/Resources/finance.html>, or directly via http://www.cacharterschools.org/pdf_files/Charter%20Funding%20Basics.pdf.
- ⁵⁸ For more information on these data sets, see the California Department of Education’s “Annual Financial Data” website,” <http://www.cde.ca.gov/ds/fd/fd/>.
- ⁵⁹ The California Department of Education does not release charter school average daily attendance (ADA) data, so the ADA and per-pupil fiscal information shown for charter schools in the database are estimates. ADA is typically five percent less than actual enrollment, so charter ADA estimates used in the database represent 95 percent of a charter school’s enrollment, as is standard practice at government agencies such as the Legislative Analyst’s Office. For more information on ADA, see the California Department of Education, “Counting Students, ADA and enrollment” on the “Financial Reports on Ed-Data” website, <http://www.ed-data.k12.ca.us/>. The department also notes that it collects district-level ADA counts, but not school-level ADA counts. See the definition of “average daily attendance” on Ed-Data’s “Glossary of Terms” website, <http://www.ed-data.k12.ca.us/>. For more detailed information on how charter schools report ADA to the California department of education, see Paul M. Goldfinger and Janelle Kubinec, “Revenue Limits” in *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008).
- ⁶⁰ See note 25 above.
- ⁶¹ Legislative Analyst’s Office, “History and Development of Charter School Policy in California,” Presented to the Senate Select Committee on California’s Master Plan for Education, Informational Hearing on Charter Schools, August 1, 2006, p. 4, http://www.lao.ca.gov/handouts/education/2006/Charter_School_Policy_080106.pdf.
- ⁶² Legislative Analyst’s Office, “Charter Schools” in the “Education Chapter” of *Analysis of the 2005-06 Budget Bill*, February 24, 2005, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1243>.
- ⁶³ California Department of Education, “California Charter School Facts” website, <http://www.cde.ca.gov/sp/cs/re/cs-factsapro4.asp>. For information on independent study, see the California Department of Education, “How To Find Independent Study” website, <http://www.cde.ca.gov/sp/eo/is/howtofindis.asp>.
- ⁶⁴ Special legislation passed in 2001 imposed funding cutbacks on non-classroom-based charter schools unless they followed certain mandates. See Cassandra Guarino, Ron Zimmer, Cathy Krop, and Derrick Chau, *Nonclassroom-Based Charter Schools in California and the Impact of SB 740*, RAND Corporation, Prepared for the Legislative Analyst’s Office February 16, 2005, <http://www.lao.ca.gov/LAOApp/PubDetails.aspx?id=1288>. More than three-quarters (78 percent) of California charter schools offer site-based instruction, while the remainder (22 percent) offer non-classroom or combination site-based and non-site based instruction such as independent study. See the California Department of Education, “California Charter School Facts” website, <http://www.cde.ca.gov/sp/cs/re/csfactsapro4.asp>. For information on independent study, see the California Department of Education, “How To Find Independent Study” website, <http://www.cde.ca.gov/sp/eo/is/howtofindis.asp>.
- ⁶⁵ \$10.2 million divided among the district’s 2,620 full-time equivalent teachers amounts to \$3,893 each. For the number of district staff, see the California Department of Education, Ed-Data Oakland Unified School District report for the 2007–08 school year.
- ⁶⁶ As a parcel tax, Oakland’s Measure M required a two-thirds voter approval to pass but received 61 percent approval. Quotations from Nanette Asimov, “Union, board members against parcel tax for Oakland schools,” *San Francisco Chronicle*, September 30, 2008; and Steve Chawkins, “Measures as diverse as the cities they come from,” *Los Angeles Times*, October 26, 2008.
- ⁶⁷ The average unified school district in California had 21.1 students per classroom during the 2006–07 school year. See California Department of Education, Ed-Data “Profile of State” website, <http://www.ed-data.k12.ca.us/>.
- ⁶⁸ The Camptonville Elementary district in Yuba County received \$100,503 per average daily attendance (ADA) in the 2006–07 school year, up from more than \$72,000 per ADA in the 2003–04 school year, and close to \$94,000 per ADA in each of the 2004–05 and 2005–06 school years. It received close to \$68,000 per-pupil in state aid in the 2006–07 school year, with state Charter Schools General Purpose Entitlement funding representing 92 percent of that amount. The Camptonville Elementary district received total per-pupil revenue close to 10 times more than the average elementary school district amount in the 2006–07 school year. This district did not receive the necessary small schools allowance in any school year, 2003–04 through 2007–08, according to data provided to the author by the California Department of Education on December 5, 2008. Camptonville Elementary is also not a basic aid school district.
- ⁶⁹ The Camptonville Elementary district in Yuba County. See note 68.
- ⁷⁰ The amounts represent per-pupil expenditures for 2006, adjusted for regional cost differences. It should be noted that per-pupil expenditures are typically lower than per-pupil revenue. *Education Week’s* spending ranking is used

for illustrative purposes here because it is one of the most publicized national rankings and frequently the subject of public policy debates on public school funding in general. For example, the California Teachers association (CTA) launched a statewide radio ad campaign on January 20, 2009, “spotlighting lawmakers’ failure to act as California slides further to the bottom of the nation in funding for public education” and claiming “California recently sank to 47th in per-pupil funding, according to *Education Week’s Quality Counts*.” The statement that California sank in the rankings is inaccurate since California actually ranked 48th nationally according to *Education Week’s 2008* ranking. See *Quality Counts, Education Week*, January 8, 2009, “State Funding: School Finance,” <http://www.edweek.org/ew/toc/2009/01/08/index.html>; cf. *Quality Counts, Education Week*, January 10, 2008, “State Funding: School Finance,” <http://www.edweek.org/ew/toc/2009/01/08/index.html>. See the California Teachers Association, “New CTA Radio Ads Oppose Governor’s Attack on School Funding; Say Lawmakers’ Inaction on State Budget is Worsening Impact on Schools and Students,” January 20, 2009, Press Release, http://www.cta.org/media/newsroom/releases/20090120_1.htm; cf. Vicki E. Murray and Evelyn B. Stacey, “California Students Should be Free to Choose,” Pacific Research Institute, Capital Ideas, January 28, 2009, <http://liberty.pacificresearch.org/publications/california-students-should-be-free-to-choose>.

⁷¹ See also the Legislative Analyst’s Office “Education Chapter” of *Analysis of the 2008–09 Budget Bill*, pp. 59 and 60, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8.pdf.

⁷² The 2003–04 total revenue amount in 2007 inflation-adjusted dollars is \$67.4 billion.

⁷³ Some experts contend that student enrollment is a more accurate measure than average daily attendance (ADA), which from the 2003–04 to 2006–07 school years averaged 96.44 percent of enrollment based on the author’s calculations. That debate is beyond the scope of this analysis; however, using enrollment figures for elementary, middle, junior high, high school, and K–12 reported by Ed-Data instead of ADA over the same time period yields the following results. From the 2003–04 school year to the 2006–07 school year, enrollment declined by 11,534 students, or 0.19 percent, compared to a total revenue increase of nearly 10 percent (9.85 percent) in inflation-adjusted dollars. Using enrollment figures instead of ADA shows the same pattern of a declining students and increased total revenue:

	# Students ADA	# Students ENR	\$ Total Revenue
2003–04 to 2004–05	0.07%	0.36%	0.92%
2004–05 to 2005–06	-0.23%	0.10%	2.19%
2005–06 to 2006–07	-0.36%	-0.65%	6.51%

⁷⁴ On Proposition 98, see the California Department of Education, Ed-Data “Proposition 98 (1988)” website, March 2004, <http://www.ed-data.k12.ca.us/>; EdSource, “Revenues” website, http://www.edsource.org/iss_fin_sys_revenues.html#prop98; EdSource, “Proposition 98 guarantees a minimum level of funding for public schools” fact sheet, October 2006, http://www.edsource.org/pub_prop98.html; and Chapter 2 of Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008). After the 2006–07 school year, however, the revenue forecast is bleak until the 2009–10 school year, when the economy is expected to improve. The growth in the Proposition 98 guaranteed state funding is estimated to be about half of what it was in the previous two school years, around eight percent in the 2005–06 and 2006–07 school years compared to just over four percent in the 2007–08 school year. See Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), pp. 19, 34, and 35.

⁷⁵ Legislative Analyst’s Office, “Major Features of the 2006 California Budget,” July 7, 2006, pp. 6–10, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1499>; Legislative Analyst’s Office, *California Spending Plan 2006–07: The Budget Act and Related Legislation*, September 26, 2006, pp. 10, and 17–22, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1517>; and Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), pp. 30, 31, and 171. See also the California Department of Education, “Governor’s Budget for 2006–07,” March 16, 2006, <http://www.cde.ca.gov/fg/fr/eb/ltrgbo6.asp>; cf. “Governor’s Budget for 2007–08,” March 1, 2007, <http://www.cde.ca.gov/fg/fr/eb/ltrgbo7.asp>; and Brian Edwards and Mary Perry, “School Finance 2006–07: State Leaders Settle Up with Education,” October 2006, pp. 2–5, http://www.edsource.org/pub_SchFino6-07_report.html. As part of the *CTA and O’Connell v. Schwarzenegger* Settlement, the state set aside \$2.9 billion for the Quality Education Investment Act (QEIA) to be paid out to qualifying schools over seven years beginning in the 2007–08 school year, a time period not covered in this analysis. The first repayment of \$300 million will be made in the 2007–08 school year and distributed to approximately 1,500 eligible district and charter schools statewide. Each year through the 2012–13 school year, annual repayments of about \$400 million will be made, with a final payment of \$265 million in 2013–4. Each year, eligible schools will

- receive funding at the rate of \$500 to \$1,000 per-pupil, depending on students' grade levels. This revenue is to improve student achievement and the quality of instruction at the state's lowest performing schools. QEIA funds must be used for class-size reduction, additional counseling, staff development, and improving attendance and graduation rates. See the Legislative Analyst's Office, "Quality Education Investment Act" in *Analysis of the Budget Bill*, February 21, 2007, pp. 109–120, especially pp. 110–113, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1620>; Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California, 2008 Edition* (Sacramento: School Services of California, Inc., 2008), pp. 175 and 176; and the California Department of Education, "Governor's Budget for 2007–08," March 1, 2007, <http://www.cde.ca.gov/fg/fr/eb/ltrgbo7.asp>.
- ⁷⁶ The Legislative Analyst's Office, "New Categorical Programs" in the "Education Chapter" of *Analysis of the 2006–07 Budget Bill*, February 23, 2006, pp. 51–53, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1403>.
- ⁷⁷ For more on Assembly Bill 825 (Chapter 871, *Statutes of 2004*), see Legislative Analyst's Office, "New Categorical Programs" in the "Education Chapter" of *Analysis of the 2006–07 Budget Bill*, February 23, 2006, pp. 51–55, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1403>; and Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, pp. 24 and 25, <http://irepp.stanford.edu/projects/cafinance-studies.htm>.
- ⁷⁸ Legislative Analyst's Office "Education Chapter" of *Analysis of the 2008–09 Budget Bill*, p. 52, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8.pdf.
- ⁷⁹ State of California, Department of Finance, "Projected California Public K–12 Graded Enrollment by County by School Year" in *California Public K–12 Graded Enrollment and High School Graduate Projections by County, 2008 Series*. Sacramento, California, October 2008, <http://www.dof.ca.gov/research/demographic/reports/projections/k-12/>.
- ⁸⁰ Brian Edwards and Mary Perry, "School Finance 2006–07: State Leaders Settle Up with Education," October 2006, p. 5, http://www.edsource.org/pub_SchFin06-07_report.html. See also the Legislative Analyst's Office, "Education Chapter" in *Analysis of the 2007–08 Budget Bill*, February 21, 2007, pp. 19–24, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1563>.
- ⁸¹ Brian Edwards and Mary Perry, "School Finance 2006–07: State Leaders Settle Up with Education," October 2006, p. 7, http://www.edsource.org/pub_SchFin06-07_report.html.
- ⁸² Legislative Analyst's Office, "Education Chapter" in *Analysis of the 2007–08 Budget Bill*, February 21, 2007, p. 21, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1563>.
- ⁸³ This will be the first time a downward ADA adjustment has been made to the Proposition 98 minimum funding guarantee since its passage in 1988. See Legislative Analyst's Office, "Education Chapter" in *Analysis of the 2007–08 Budget Bill*, February 21, 2007, pp. 19–24, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1563>.
- ⁸⁴ On the impact of enrollment declines on categorical programs, compare the Legislative Analyst's Office, "Education Chapter" in *Analysis of the 2007–08 Budget Bill*, February 21, 2007, pp. 21 and 22, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1563>; and Brian Edwards and Mary Perry, "School Finance 2006–07: State Leaders Settle Up with Education," October 2006, pp. 5 and 6, http://www.edsource.org/pub_SchFin06-07_report.html.
- ⁸⁵ Brian Edwards and Mary Perry, "School Finance 2006–07: State Leaders Settle Up with Education," October 2006, p. 7, http://www.edsource.org/pub_SchFin06-07_report.html.
- ⁸⁶ State of California, Department of Finance, "Projected California Public K–12 Graded Enrollment by County by School Year" in *California Public K–12 Graded Enrollment and High School Graduate Projections by County, 2008 Series*. Sacramento, California, October 2008, <http://www.dof.ca.gov/research/demographic/reports/projections/k-12/>.
- ⁸⁷ State of California, Department of Finance, "Projected California Public K–12 Graded Enrollment by County by School Year" in *California Public K–12 Graded Enrollment and High School Graduate Projections by County, 2008 Series*. Sacramento, California, October 2008, <http://www.dof.ca.gov/research/demographic/reports/projections/k-12/>.
- ⁸⁸ Susanna Loeb, Anthony Bryk, and Eric Hanushek, (Overview Paper) *Getting Down to Facts: School Finance and Governance in California*, Stanford University March 2007, p. 4, <http://irepp.stanford.edu/projects/cafinance.htm>. The complete research collection and project description are available at Stanford University's Institute for Research on Education Policy and Practice "Getting Down to Facts" website, <http://irepp.stanford.edu/projects/cafinance.htm>.
- ⁸⁹ *Ibid.*, p. 7.
- ⁹⁰ See *Quality Counts, Education Week*, January 8, 2009, "State Funding: School Finance," <http://www.edweek.org/ew/toc/2009/01/08/index.html>. See also note 70 above.
- ⁹¹ More sophisticated comparisons of California per-pupil funding with other states, based on per-capita tax contributions to education and comparative expenditures on students and staff relative to other states, for example, do add some much-needed depth to the issue of funding adequacy in California. See Jon Sonstelie, "Financing California's Public Schools," Chapter 5 of *Conditions of Education in California 2008*, Policy Analysis for California Education, October 2008, pp. 49–60.

- ⁹² Author's analysis of 2007 4th and 8th grade NAEP reading and math. Funding figures represent 2004–05 amounts in 2007 inflation-adjusted dollars as reported by the U.S. Census Bureau, Table 11 of "Public Elementary-Secondary Education Finances by State," http://ftp2.census.gov/govs/school/elsec05_sttables.xls. Cost-of-living adjustments were made using the "Fourth Quarter 2007 Cost of Living Figures" reported by the Missouri Economic Research and Information Center (MERIC), derived according to guidelines developed by the American Chamber of Commerce Research Association (ACCRA, now Council for Community and Economic Research), http://ded.mo.gov/research-andplanning/indicators/cost_of_living/index.stm.
- ⁹³ Based on budget simulations completed by teachers, principals, and district superintendents, Jon Sonstelie examined the resources California schools need to ensure more students meet state academic standards. He estimated a 40 percent minimum revenue increase targeting low-income schools. Sonstelie cautions, however, that other factors besides resources affect student achievement, and participants believe that larger budgets alone would have only a modest effect. See Jon Sonstelie, "Aligning School Finance with Academic Standards" in *Aligning School Finance with Academic Standards: A Weighted-Student Formula Based on a Survey of Practitioners*, Public Policy Institute of California, 2007, pp. 89 and 99, <http://irepp.stanford.edu/projects/cafinance-studies.htm>. This study was prepared as part of the Stanford University Institute for Research on Education Policy and Practice's Getting Down to Facts research project on California's school governance and finance systems.
- ⁹⁴ See "Finding #5" of the Little Hoover Commission, *Dollars and Sense: A Simple Approach to School Finance*, Sacramento, California, July 1997, <http://www.lhc.ca.gov/lhcdir/143es.html>.
- ⁹⁵ Ibid, "Finding #1."
- ⁹⁶ Paul M. Goldfinger and Janelle Kubinec, *Revenues and Revenue Limits: A Guide to School Finance in California*, 2008 Edition (Sacramento: School Services of California, Inc., 2008), p. 171.
- ⁹⁷ Michael M. Kirst, *The Evolution of California's State School Finance System and Implications from other States*, 2006, Institute for Research on Education Policy and Practice, Stanford University, p. 5, <http://irepp.stanford.edu/projects/cafinance-studies.htm>; cf. Thomas Timar, *How California Funds K–12 Education*, Institute for Research on Education Policy and Governance, Stanford University, September 2006, <http://irepp.stanford.edu/projects/cafinance-studies.htm>. Experts from the Public Policy Institute of California also note the rise in education lobbying. See Jon Sonstelie, Eric Brunner, Kenneth Ardon, *For Better or For Worse? School Finance Reform in California*, February 2000, pp. 63 and 64, <http://www.ppic.org/main/publication.asp?i=65>. According to data from the California Secretary of State's Office, total education lobbying for the 2005–6 legislative session exceeded \$38 million. Of that amount, 69 individual school districts spent more than \$4.2 million combined. The Los Angeles Unified School District spent the most at nearly \$1.1 million. The San Francisco Unified School District was a distant second at just over \$150,000. See California Secretary of State, "Lobbying Activity" website, <http://cal-access.sos.ca.gov/lobbying/>.
- ⁹⁸ Mark Baldassare, Dean Bonner, Jennifer Paluch, and Sonja Petek, *PPIC Statewide Survey: Californians and Education*, Public Policy Institute of California, April 2008, pp. 10 and 12, <http://www.ppic.org/main/publication.asp?i=814>.
- ⁹⁹ David A. Sanchez, "California's Educators Say Lawmakers Turned Their Backs On the Public and Passed a Reckless Budget that Hurts Students and Public Schools Now and in the Future," September 19, 2008, Press Release, http://www.cta.org/media/newsroom/releases/20080919_1.htm.
- ¹⁰⁰ See for example, *Contra Costa Times*, "Governor's plan threatens schools," February 10, 2008; and John Anello of the San Diego Unified School District, "Education spending in California," letter to the editor, *San Diego Union-Tribune*, April 8, 2008.
- ¹⁰¹ Florida: Randy Schultz, "Bottomed Out, and that Isn't the Half of It," *Palm Beach Post*, February 3, 2008; Illinois: Carlos Sadovi, "Schools ask state's help on \$180 million shortage; \$90 million in cuts proposed by Duncan," *Chicago Tribune*, February 15, 2008; Nebraska: *Lincoln Journal Star*, "Three vie for legislative seat," May 1, 2008; Nevada: "Parents Protest Proposed Education Budget Cuts," Channel 4 (NBC), Reno, Dec 19, 2007, <http://www.krnv.com/Global/story.asp?S=7522806>; and Oklahoma: Jay F. Marks, "Elections: House District 42 ; Educator is looking to unseat colleague," *The Oklahoman*, September 4, 2008; and Ron Jenkins, "School funding petition drive kicks off," *Associated Press State & Local Wire*, August 1, 2008.
- ¹⁰² "State of Education Address, February 3, 2009" California Department of Education, <http://www.cde.ca.gov/eo/in/se/yro9stateofed.asp>.
- ¹⁰³ The Legislative Analyst's Office "Education Chapter" of *Analysis of the 2008–09 Budget Bill*, pp. 57 and 58, http://www.lao.ca.gov/analysis_2008/education/ed_anlo8.pdf; and Eric Hanushek quoted in Jill Stewart, "What We Really Spend on Education," *San Francisco Chronicle*, June 10, 2005, <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2005/06/10/EDGDLD5MH8I.DTL>.
- ¹⁰⁴ Quoted in Jill Stewart, "What We Really Spend on Education," *San Francisco Chronicle*, June 10, 2005, <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2005/06/10/EDGDLD5MH8I.DTL>.
- ¹⁰⁵ T.D. Snyder, S.A. Dillow, and C.M. Hoffman, *Digest of Education Statistics 2007* (NCES 2008-022), National Center

- for Education Statistics, Institute of Education Sciences, U.S. Department of Education, Washington, D.C., March 2008, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2008022>. See Table 173, rank #25 (uses fall enrollment and includes total and current expenditures in 2003–04 dollars, the latest year complete financial data were available, \$9,266 or \$10,442 in 2006–07 dollars); Table 174, rank #30 (uses fall enrollment and includes only current expenditures in 2004–05 dollars, the latest year complete financial data were available, \$7,905 or \$8,677 in 2006–07 dollars); and Table 175, rank #38 (uses ADA and includes only current expenditures in 2004–05 dollars, the latest year complete financial data were available, \$7,989 or \$8,769 in 2006–07 dollars). Total expenditures include both current funding for school operations as well as capital outlay and interest on school debt. Current expenditures refer solely to the operation of schools and exclude capital outlay and interest on school debt. Current funding relates to salaries, textbooks, transportation, and energy costs. Funds for state administration are excluded. See “Appendix B: Definitions.” See also the Legislative Analyst’s Office, see “Per-Pupil Funding” in the “Education Chapter” of *Analysis of the 2008–09 Budget Bill*, February 20, 2008, p. 57, <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1720>.
- ¹⁰⁶ U.S. Census Bureau, *Public Education Finances 2006*, April 2008, <http://ftp2.census.gov/govs/school/06f33pub.pdf>. Figure 4 and Table 11, rank #29 (uses student enrollment and includes on current expenditures in 2005–06 dollars, \$8,486 or \$9,009 in 2006–07 dollars); Table 11, rank #25 (uses student enrollment and reports revenue in 2005–06 dollars, \$10,264 or \$10,987 in 2006–07 dollars). The Census Bureau defines “revenue” as, “All amounts of money received by a school system from external sources—net of refunds and other correcting transactions—other than from issuance of debt, liquidation of investments, or as agency and private trust transactions. Note that revenue excludes non-cash transactions, such as receipt of services, commodities, or other “receipts in-kind.” See Appendix A. For a more detailed breakdown of per-pupil current spending by state, see Table 8.
- ¹⁰⁷ U.S. Census Bureau, *Public Education Finances 2006*, April 2008, Table 11 and Appendix A, <http://ftp2.census.gov/govs/school/06f33pub.pdf>.
- ¹⁰⁸ California Department of Education, “How California Compares” Ed-Data website under “resources. See <http://www.ed-data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2FArticles%2FArticle%2Easp%3Ftitle%3DHow%2520California%2520Compares>; and “National Education Association (NEA) Rankings of the States—California and the Nation” web page. See and http://www.ed-data.k12.ca.us/Articles/Ranking_10YearTrend.asp.
- ¹⁰⁹ National Education Association, *Rankings and Estimates*, NEA Research, December 2007, <http://www.nea.org/edstats/images/07rankings.pdf>. See Table F-2, rank #22 (uses enrollment and includes unspecified revenue for 2005–06, \$10,207 or \$10,836 in 2006–07 dollars); Table F-4, rank #27 (uses ADA and includes unspecified revenue for 2005–06, \$10,612 or \$11,266 in 2006–07 dollars); and Table H-11, rank #25 (uses enrollment and includes only current expenditures for 2005–06, \$8,486 or \$9,009 in 2006–07 dollars).
- ¹¹⁰ For additional information, see EdSource, “Why are there so many different numbers for per-pupil funding?” website, http://www.edsource.org/iss_fin_FAQ_per-pupil.html, which provides a link to a detailed explanation of the differences between the NEA reported California figures and those published by the California Department of Finance: “FAQ: What accounts for the difference between education revenues and expenditures?” November 2004, http://www.edsource.org/pub_rev-expendFAQ11-04.html.
- ¹¹¹ *Education Week’s Quality Counts: 2008*, January 10, 2008, <http://www.edweek.org/ew/toc/2008/01/10/index.html>. (Subscription required). See “School Finance” table link. California’s 2005–06 per-pupil spending is reported as \$7,081 for 2005–06, or \$7,518 in 2006–07 dollars. *Education Week* explains that figures “are adjusted to reflect regional cost differences and weighted for student needs.” See also the “School Finance” section of the “Sources and Notes” web page, <http://www.edweek.org/ew/articles/2008/01/10/18sources.h27.html>. There, *Education Week* explains that a primary source for its adjusted per-pupil expenditures is L. Zhou, S. Honegger, and N. Gaviola, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2004–05 (Fiscal Year 2005)* (NCES 2007-356), U.S. Department of Education, Washington, D.C.: National Center for Education Statistics, April 2007, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2007356>. NCES uses current expenditures only in this report, which it explains are more comparable across states than total expenditures. See Appendix A. NCES uses “student membership” to determine the number of students, which it defines as the “[a]nnual headcount of students enrolled in school on October 1 or the school day closest to that date. In any given year, some small schools will not have any students.” See Appendix B.
- ¹¹² Christopher B. Swanson, the “School Finance” section on the “Grading the States” web page, *Education Week*, January 10, 2008, <http://www.edweek.org/ew/articles/2008/01/10/18sos.h27.html>. See also *Education Week’s* “Grading the States’ Outcomes, Policies,” web page, January 10, 2008, <http://www.edweek.org/ew/articles/2008/01/10/18execsum.h27.html>.
- ¹¹³ The amounts represent per-pupil expenditures for 2006, adjusted for regional cost differences. See *Quality Counts, Education Week*, January 8, 2009, “State Funding: School Finance,” <http://www.edweek.org/ew/toc/2009/01/08/index.html>. See also nn. 70 and 90 above.

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Founded in 1979 and based in San Francisco, PRI is a non-profit, non-partisan organization supported by private contributions. Its activities include publications, public events, media commentary, community leadership, legislative testimony, and academic outreach.

Education Studies

PRI works to restore to all parents the basic right to choose the best educational opportunities for their children. Through research and grassroots outreach, PRI promotes parental choice in education, high academic standards, teacher quality, charter schools, and school-finance reform.

Business and Economic Studies

PRI shows how the entrepreneurial spirit—the engine of economic growth and opportunity—is stifled by onerous taxes, regulations, and litigation. It advances policy reforms that promote a robust economy, consumer choice, and innovation.

Health Care Studies

PRI proposes market-based reforms that would improve affordability, access, quality, and consumer choice. PRI also demonstrates why a single-payer, Canadian model would be detrimental to the health care of all Americans.

Technology Studies

PRI advances policies to defend individual liberty, foster high-tech growth and innovation, and limit regulation.

Environmental Studies

PRI reveals the dramatic and long-term trend toward a cleaner, healthier environment. It also examines and promotes the essential ingredients for abundant resources and environmental quality: property rights, markets, local action, and private initiative.