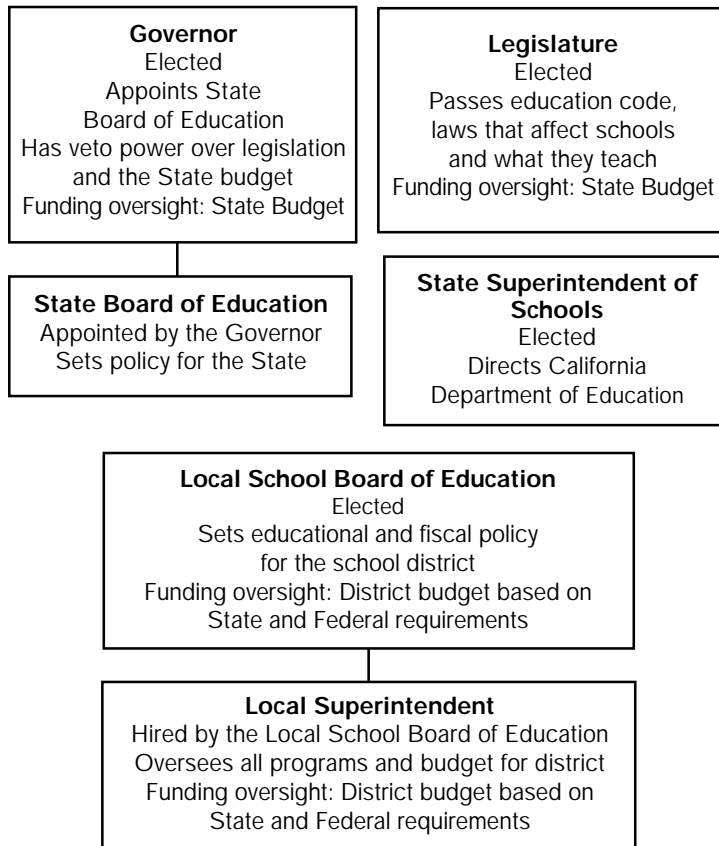


CALIFORNIA PUBLIC EDUCATION FUNDING OVERVIEW

Who decides California education policy?

There are many layers of decision makers in education policy. The diagram below shows who they are and how they relate to each other. While all the entities have relationships and some effect on our schools, not all are direct reporting relationships. For example, while local school boards must follow education code when setting policy, they do not report to the legislature, the governor or the State Board of Education.



In addition, voters can also directly influence education policy through the ballot initiative process. In recent years, voters have been asked to decide statewide policy on a wide array of issues, from bilingual education to teacher dismissal procedures.

How are California's public schools financed?

Districts Rely on the State California's school financing system is very complicated and relies heavily on centralized decision-making at the State level. Schools receive most education dollars from three pots of money—the federal government, the State, and local taxes.

Due to Proposition 13 (see glossary) most decisions about how these monies are distributed are made at the State level. Now, only 21% of education funding comes from money provided by local property taxes, and it all is funneled back to the local schools through the State.

Where does the money come from?

Federal funds are primarily designated for specific programs or groups of students, and these monies are mostly formula-driven.

State funds include local property taxes, state general fund money, and other money designated for a specific purpose. This is the bulk of what funds schools.

Local funds are generally comprised of parcel tax money which goes directly to a school district and can be spent for general purposes, including salaries and programs. Local education funds also come from private money donated by the community through an education foundation.

Different Types of Funding Once Federal, State and local funds are allocated, dollars are generally given to districts in two ways: "General purpose" money, which is calculated based on "Average Daily Attendance", and "categorical funding" (see glossary). Over the last twenty years, categorical funding has risen as a percentage of the total amount of money school districts receive. This gives districts less flexibility in the way they can spend public funds.

Charter schools (see glossary), while part of the public school system, operate under a separate set of funding mechanisms and rules, and are usually granted greater flexibility in the way they spend categorical funds. Even though they operate with autonomy within the district, they still receive money for ADA that comes via the sponsoring district.

CALIFORNIA PUBLIC EDUCATION FUNDING OVERVIEW

Revenue Limit District or Basic Aid District – What does this mean?

Revenue Limit District: A Revenue Limit District, like Redwood City, is one where the amount of the property taxes does not equal the amount of money per student that the State has set as a minimum base. In this case the State makes up the difference between its minimum base and the amount of the property taxes (see glossary).

Basic Aid District: In this type of district, the amount of the property taxes meets or exceeds the amount of money per student that the State has set as a minimum base. These districts then are able to keep the amount over the minimum base for their schools and receive basic aid, which is about \$120 per student.

In California there are approximately 1000 school districts. Of those there are about 60 to 80 basic aid districts in any given year. Palo Alto, Menlo Park, Portola Valley, Las Lomas, Burlingame, Hillsborough, and Woodside are all basic aid districts.

Funding Depends on California's Economy

Because of its centralized nature, education financing depends on the health of California's economy and the outcome of State budget negotiations. When the economy is struggling, schools must compete with other public services for state funds. To protect education during such times of fiscal crisis, voters passed Proposition 98 (see glossary). That proposition guarantees that a minimum amount of State and property taxes goes to education, including the State's college and university systems. But schools have been funded below that guaranteed amount for the past few years (EdSource, September, 2005).

School finance reform is a frequent topic of debate at the State level. Commissions, legislators and researchers have offered various proposals in recent years for simplifying it and making it work better. However, fundamental change, especially when it involves overturning or modifying Proposition 13, remains an uphill battle.

Why do some districts seem to have more resources than others?

Categorical Aid and District Classification Differs

Despite efforts to make district funding more fair, the State's finance system is not perfect or easily understood. This is partly due to the way in which revenue allocation formulas were derived historically, and how certain calculations are adjusted over time. In addition to the inequities between Basic Aid and Revenue Limit districts (see previous), some districts are eligible for more categorical funds than other districts. These targeted funds are in addition to the "general purpose" revenue they receive from the state.

There are essentially two ways that communities can directly increase the money they have available to spend, district wide, on their students: 1) passing a tax (parcel tax or construction bond) and/or 2) raising money through an education foundation.

Local Tax Support Varies Some local communities have been more successful than others in getting voters to pass parcel taxes in support of schools—a feat made difficult by the restrictions of Proposition 13, which require that school-related parcel taxes must pass by a two-thirds majority, as opposed to a simple majority. Parcel taxes are a source of revenue that can be used by districts to support general purposes. Although the majority of Redwood City voters (62%) supported a May 2005 parcel tax, it failed to meet the two-thirds requirement.

Another form of local taxation is construction bonds, which may only be used for building and upgrading school facilities. In 2001, the two-thirds restriction for passage by voters was reduced to 55%. In 2002, Redwood City was successful in passing such a bond.

Education Foundations Supplement Most local communities have filled gaps in school funding over the years by creating education foundations that solicit private donations to supplement dollars received through the State. Before Proposition 13 there were only 20 education foundations in California. Since the passage of Proposition 13 nearly 30 years ago, communities have established more than 500 education foundations to provide funding for their schools. In 2002 alone, they raised an estimated \$30 million for their local schools (Ed-Data, March 2004).

The Stakes Are Higher Than Ever The need to access more money has become a greater concern because of increasing demands on schools and students to meet high academic standards or face certain penalties. The stakes involved have contributed to lawsuits about the adequacy of funding for low-performing schools and the lack of minimum funding for education overall.

Although every attempt has been made to fairly and accurately present the information within this document, errors may occur. Should a material error be found, a correction may be sent to communications@rcef.org. Changes to the text will be considered should reprinting occur in the future.

GLOSSARY

Average Daily Attendance (ADA) are the total days of student attendance divided by the total days of instruction. Due to a change in law, beginning in 1998-99 excused absences no longer count as a part of ADA.

Ed Data, Education Issues and Background - School District Income (March 2004)

Basic Aid District is a district that has local property taxes that meet or exceed its revenue limit. Such a district is allowed to keep the money from local property taxes and still receives the constitutionally guaranteed state basic aid funding.

http://www.edsource.org/edu_fin_basicaid.cfm

Categorical Funds come from the state or federal government to provide specific programs (e.g. class size reduction) usually for specific student populations (students with learning disabilities). The amount of categorical aid districts receive depends on their eligibility for funds.

Ed Data, Education Issues and Background - Categorical Aid (March 2004)

Charter Schools are publicly funded schools that are organized by parents and community members and can be operated by non-profit and for-profit agencies. Such schools are held to performance goals through an agreement ("charter") with a sponsoring agency, usually a district or county office of education, in exchange for greater flexibility in the way they are structured, whom they hire and how they use their funding.

http://www.edsource.org/edu_chart.cfm#funding

General Purpose Funds are granted to school districts based on their per-pupil revenue limit. They have discretion to spend this money as they see fit for the day-to-day operation of schools— including everything from salaries to the electric bill—within the constraints of certain laws and contracts with employees.

Ed Data, Education Issues and Background - A Guide to California's School Finance System (April 2005)

Parcel Tax is a form of local taxation that is an assessment on each parcel of property—not based on assessed value. Such a tax must be approved by two-thirds of the voters in a school district. When proposing parcel tax elections, districts indicate how the money will be used.

Ed Data, Education Issues and Background - Local Sources of Revenue (March 2004)

Proposition 13 was a 1978 state constitutional amendment that limited property tax rates to no more than 1% of full cash value and limited annual tax increases. This law caused a shift from where the majority of funds for schools come from—namely from local property tax.

Ed Data, Education Issues and Background - Proposition 13 - Property Tax Amendment (March 2004)

Propositions 98 and 111 were voter-approved initiatives that amended the California Constitution in 1988 and 1990 to guarantee a minimum amount of funding from property and state taxes for K-14 (kindergarten through community college) education each year.

http://www.edsource.org/pdf/prop98_04.pdf

Revenue Limit is the amount of general purpose funding a school district receives per student (using ADA—Average Daily Attendance). It is a combination of local property taxes and state funding.

http://www.edsource.org/edu_fin_revenue_limits.cfm

Serrano vs. Priest was a California court case—begun in 1968 and settled in the mid-1970s—that challenged the inequities of using property taxes as the principal source of revenue for public schools, saying the wide discrepancies in school funding because of differences in district wealth represented a denial of equal opportunity. This contributed to the creation of revenue limits (see above).

Ed Data, Education Issues and Background - Serrano v. Priest and Funding Equity (March 2004)

EDUCATION RESOURCES

Redwood City Education Foundation (RCEF)

<http://www.rcef.org>

EdSource - Clarifying Complex Education Issues

<http://www.edsource.org>

Ed Data - Education Data Partnership

<http://www.ed-data.k12.ca.us>

California Department of Education

<http://www.cde.ca.gov/>

Redwood City School District

<http://www.rcsd.k12.ca.us/>

California Department of Education

<http://www.cde.ca.gov/>

DataQuest–Find facts about California Schools and Districts

<http://data1.cde.ca.gov/dataquest/>

LINKS TO INFORMATION ON CALIFORNIA'S ACADEMIC STANDARDS, CURRICULUM, STAR TESTING AND NCLB (NO CHILD LEFT BEHIND)

California Department of Education

About STAR 2005

http://star.cde.ca.gov/star2005/aboutSTAR_programbg.asp

EdSource

California's Student Testing Program: STAR

http://www.edsource.org/pdf/QA_STARfinal.pdf

EdSource

Standards and Curriculum Overview

http://www.edsource.org/edu_sta.cfm#standard

California Department of Education

API and AYP Key Elements

Side by side comparison of the state Academic Performance Index (API) and federal Adequate Yearly Progress (AYP) accountability requirements for 2004-05.

<http://www.cde.ca.gov/ta/ac/ay/apiaypelements04.asp>

Ed-Data

Understanding California's Student Testing and Report Program (STAR)

<http://www.ed-data.k12.ca.us/articles/Article.asp?title=Understanding%20the%20STAR>

EPE (Editorial Projects in Education) report for Education Week

Quality Counts At 10 – California, A Decade of Standards-Based Education

To receive a pdf. copy of this report please email communications@rcef.org

California Department of Education

Description of API (academic performance index)

<http://www.cde.ca.gov/ta/ac/ap/apidescription.asp>