



The Mystery of California Public School Funding

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It is commonly asked “why” something that should be so simple as public school funding becomes so complex. This article will briefly attempt to explain the basic public school funding mechanism and the process that ensues that tends to complicate the issues.

Prior to 1972 and Prop 13, school districts were largely dependent upon property taxes which furnished about 2/3 of public education revenues. Because of so much of the revenue being generated by the property tax, and having more local ability to raise this amount, there was “more local control” regarding the amount and extent of revenues. However, this type system also resulted in a great disparity among resources for school districts, and led to the Serrano vs Priest lawsuit which challenged the fairness of the funding inequities resulting from widely disparate property values and tax bases.

The passage of Proposition 13, in conjunction with the Serrano decision, caused a shift in support for schools from local property taxes to state general funds. Local voters can levy a uniform dollar tax per parcel of land, but they cannot increase property taxes based on value except for issuing a general obligation (G.O.) bonds for school construction or renovation. This shifted the locus of control from local school funding, to the state for California public schools.

California has approximately 1000 public school districts. Almost all public school districts receive their school funding through a “revenue limit.” The revenue limit is the amount of revenue a district can collect annually for general purposes. The funds that comprise the revenue limit are local property taxes and state aid. The revenue limit is composed of a base amount for each unit of average day attendance (ADA). The basic formula is: Revenue Limit amount, multiplied by ADA = a district’s apportionment/funding.

The State does not give the same revenue limit amount to all public schools. This is a long complicated story involving litigation (Serrano v. Priest), and attempts through the years by the State to try to “equalize” the funding of the revenue limit between school districts. Despite these measures, the revenue limit amount that each district has is still unique to that district, and is still not equal among districts. Some of the difference is the result of Categorical Spending, which are funds designated to be spent on specific programs tied to District demographics, be they socioeconomic or otherwise.

In most years, the State tries to provide a cost of living adjustment (COLA) for school districts. This COLA is meant to help cover increasing operational costs (utilities, materials, insurance benefit and statutory benefit increases, "step and column" salary increases – ie, increases tied to increased years of service and additional training - among others). Districts also negotiate with their own unions (classified and certificated) for a general salary increase using the new money provided by the COLA.

Unfortunately, in many years, the State has insufficient funds to fully provide all the school districts with the full amount of the COLA to increase each district's revenue limit. When this occurs, the State applies a "deficit factor." This deficit factor is a partial deduction from the funding due to the school districts. In some years, the deficit factor has been as high as 3-4%. When multiplied by millions of dollars, this becomes a considerable amount of money that is not provided to school districts.

Another factor is declining enrollment. Approximately half the districts in California, including La Canada, are experiencing declining enrollment. Referring back to the basic funding formula presented above, if a district's ADA number decreases each year, the amount of funds the district will be receiving also will decrease.

Part of the mystery regarding the funding for public school becomes what the true amount of new money received in a district as a result of the COLA adjustment. One would assume that if the COLA was 5.18% (original COLA estimate for 2006-07), that you could take last year's state revenue, multiply that by 5.18% COLA increase, and you would have the total amount of new revenue. As you have surmised, this is not the case.

The reason why the actual amount received by LCUSD is less than this percentage is due to the deficit factor, declining enrollment, and other adjustments made to the revenue limit. So although at first glance based on a COLA percentage estimated increase of 5.18% you would expect LCUSD revenue would also increase by 5.18%, the actual true increase will be a smaller percentage increase of revenue.

In May, the Governor will present his "May Revise." This presentation lays out the Governor's proposed State Budget including proposed funding for public schools. The State Legislature is supposed to adopt the State Budget by June 15, and the Governor is supposed to sign the State Budget by June 30. In the most recent history, the State budget adoption process has continued beyond these dates into the summer. Once the State budget is adopted and signed, all districts, including LCUSD will know with certainty what the 2006-07 COLA, deficit factor (if any), and what other funding will be available for the public schools. However, despite this scenario and timeline, school districts must adopt our budgets prior to June 30. In many years, this is done before the State budget is finalized. A public hearing will be held at one of our school board meetings regarding the LCUSD budget so if you are interested in attending this meeting, please check the LCUSD Board meeting agendas for June.

Thank you for your kind attention to this article and that it hopefully has helped provide you with a baseline of information regarding public school funding.