

A Short Explanation of California School Finance as it Affects the Pacifica School District

The current funding model for California K-12 education came into being in 1972 and was born out of a compromise in Sacramento (S.B. 90) to reform property taxes and the need to come into compliance with the recently announced Serrano vs. Priest state supreme court decision. Prior to 1972 school districts relied almost exclusively on local property taxes and set their own tax rates without voter approval. This resulted in huge differences in funding levels among school district based on wealth. Based on the equal protection under the law clause in the state constitution, Serrano-Priest struck down this traditional funding model. To accomplish both goals of reducing property taxes and moving toward greater equality in funding levels, revenue limits were imposed on school districts. The legislature divided each school district's 1972-1973 funding by its ADA (average daily attendance) to establish a revenue limit per student. The state then reduced school district's property tax base to "reform" property taxes and backfilled this amount with state aid for 1973-1974. State aid for school districts increased substantially after the passage of Proposition 13 in 1978 in order to backfill a major loss in property tax revenue. Each year the state backfills every school district the difference between its local property tax base and its new revenue limit.

Because the funding model is based on local school district revenue per student in effect in 1972, even today virtually no two school districts receive the same revenue limit per student guaranteed by the state. The table below lists the state guaranteed revenue limits per student for San Mateo County School Districts based on 2004-2005 data.

	Revenue Limit per ADA	Average Teacher salary	Pupil/Teacher Ratio
Portola Valley Elementary	\$9,624	\$63,530	13.6
Las Lomas Elementary	\$8,498	\$89,236	15.8
Sequoia Union High	\$8,441	\$71,689	21
Woodside Elementary	\$8,384	\$64,200	13.4
San Mateo Union High	\$8,344	\$74,311	20.9

Hillsborough City Elementary	\$7,201	\$75,334	16.1
Menlo Park City Elementary	\$7,145	\$72,081	16.8
Belmont-Redwood Shores Elementary	\$6,688	\$62,031	19.6
La Honda-Pescadero Unified	\$6,492		15.6
Jefferson Union High	\$5,908	\$56,337	23
San Carlos Elementary	\$5,612	\$58,187	20.1
Brisbane Elementary	\$5,515	\$59,331	16.3
Redwood City Elementary	\$5,304	\$55,740	17.5
Burlingame Elementary	\$5,241	\$61,504	18.4
Millbrae Elementary	\$5,168	\$55,247	20.9
Cabrillo Unified	\$5,168	\$57,764	21.6
Bayshore Elementary	\$5,141		19.2
Jefferson Elementary	\$5,130	\$56,022	21.7
San Mateo-Foster City Elementary	\$5,129	\$56,098	19.8
South San Francisco Unified	\$5,110	\$55,900	21.3
San Bruno Park Elementary	\$5,050	\$48,197	22.7
Pacifica	\$4,937	\$52,683	21.4
Ravenswood City Elementary	\$4,792	\$53,867	19.1

How the Revenue Limit Formula Works

The amount of unrestricted funding a district is guaranteed by the State of California is calculated by multiplying the district's revenue limit per student by the district's average daily attendance (ADA). For example, if a district's revenue limit is \$5,000 and the district has 3000 students, then the state will guarantee the district \$15,000,000 in unrestricted funding. The next step for the school district is to first apply its share of local property tax toward this \$15,000,000 guarantee. Thus, if the district's share of property tax comes to \$8,000,000, then the State will backfill the remaining \$7,000,000 guaranteed to the district. Because the amount of local property tax varies so greatly from district to district and no two revenue limits per student are the same, the ratio of property tax to state aid is unique for each district.

When a homeowner pays his/her property tax the moneys are collected by the county and distributed between the local cities, school districts, county, and other local governmental agencies. The formula to allocate a property tax dollar between all of these agencies is based on tax rates that were in place in 1972. Thus, a school district that had a lower tax rate in 1972 will collect less total dollars than a neighboring district even if the 2007 total assessed value of their respective communities are the same.

Basic Aid School Districts

As was state above, the revenue limit for each school district consists of a mix of local property tax and state aid. The state aid is sufficient to make up the difference between the amount of local property tax collected and the amount guaranteed by the state (i.e. revenue limit per child multiplied by enrollment). In the case of the Pacifica School District approximately 60% of the revenue limit is made up from local property tax and 40% is state aid.

However, throughout the state there are a number of school districts whose local property tax exceeds their revenue limit calculation (revenue limit multiplied by students). State law allows them to keep this extra income. They have become known as “basic aid” school districts and today often times have 50% – 80% more unrestricted revenue per ADA than neighboring revenue limit school districts. The majority of basic aid school districts are located in affluent communities within the Bay Area and benefit from the combination of high property assessments and low enrollment (due to expensive housing costs). Statewide, basic aid school districts comprise approximately 6% of school districts. There are many school districts whose rising local property tax base and declining enrollment are slowly pushing them closer to cross the threshold into basic aid status. Unfortunately, a rising local property tax base does nothing to help a school district until it becomes basic aid. The only beneficiary is the state, whose state aid contribution correspondingly decreases as the local property tax base assumes a greater percentage of a district’s revenue limit.

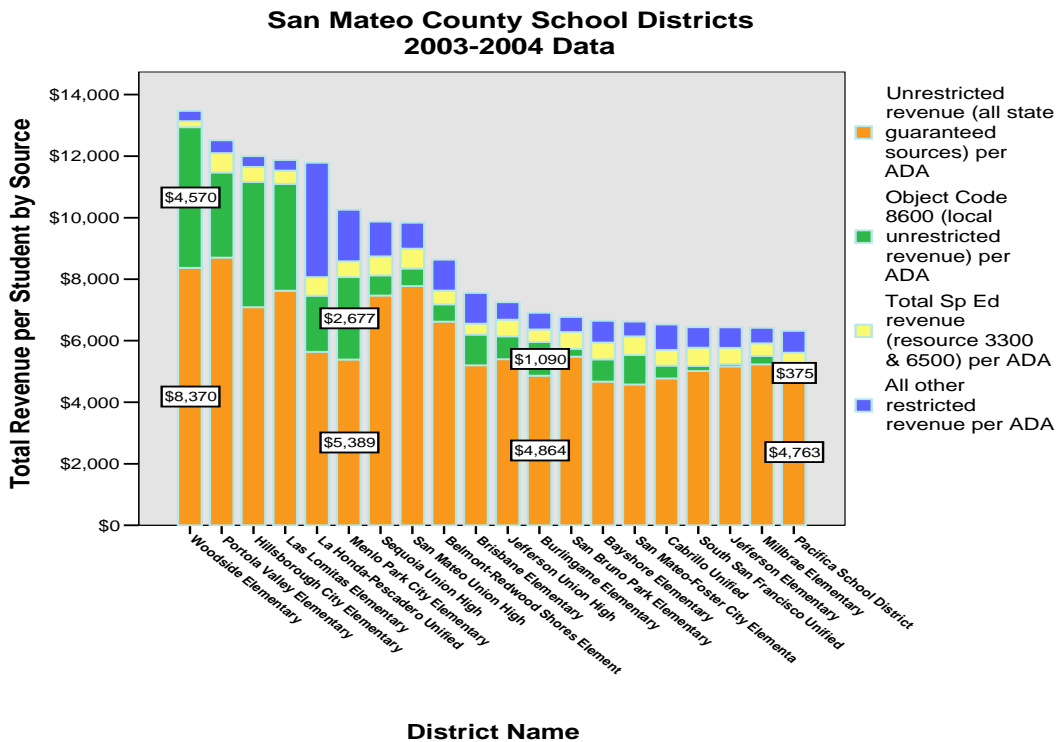
Local Income

The wild card in California school district funding is unrestricted local income. Unrestricted local income is listed under Object Code 8600 in the State of California accounting code system (SACS) and lies outside of the state revenue limit. Within this object code are the proceeds of parcel taxes (object code 8621), income from ground and building leases (object code 8650), interest earned (object code 8660), and may include income from other unrestricted local sources such as local district based foundations and donations.

Unrestricted local revenue can be used for any purpose so designated by the school board. In a sample of over 100 greater Bay Area school districts, unrestricted local revenue added from 2% to 40% to each district's revenue limit. This additional unrestricted revenue, above and beyond the revenue limit, provides fortunate school districts with a significant funding advantage over other school districts. They are able to pay teachers higher salaries and offer lower class size. They have stronger programs in special education and professional development and offer greater enrichment programs in the arts, technology, P.E., and foreign languages.

San Mateo County: An Example of Huge Funding Disparities

The graph below highlights the vast differences in unrestricted and restricted funding among San Mateo County school districts (2003-2004 data). The sources of revenue for each district are listed as unrestricted funds guaranteed by the state (revenue limit, class size reduction, and lottery), local revenue (parcel taxes, lease income, interest earned), special education revenue (both federal and state sources combined), and other restricted (Title 1, S.I.P., E.I.A., etc.).



(This chart excludes Ravenswood, San Carlos, and Redwood City due to high charter school enrollment)

The orange bars represent state guaranteed revenue limit revenue, the green bars represent local income, and the yellow and blue are restricted revenue for special programs (special education, etc.)

Unfortunately, the example of San Mateo County is not unique in California. The chart below lists the mean revenue limits and local revenue of California elementary and unified school districts. The standard deviation represents the range of the closest 2/3 of the districts to the mean (average). The chart is based on 2003-2004 data.

Elementary School Districts						
	Mean	Std. Error	Std. Deviation	Minimum	Maximum	Range
Unrestricted revenue (all state guaranteed sources) per ADA	\$5,158	\$41	\$547	\$4,428	\$8,087	\$3,659
Object Code 8600 (local revenue) per ADA	\$304	\$38	\$506	\$19	\$4,073	\$4,053
Total Unrestricted Revenue per ADA	\$5,429	\$58	\$769	\$4,595	\$11,160	\$6,564
Unified School Districts						
	Mean	Std. Error	Std. Deviation	Minimum	Maximum	Range
Unrestricted revenue (all state guaranteed sources) per ADA	\$5,177	\$48	\$687	\$4,570	\$12,217	\$7,647
Object Code 8600 (local revenue) per ADA	\$253	\$21	\$298	\$14	\$2,449	\$2,434
Total Unrestricted Revenue per ADA	\$5,430	\$56	\$798	\$4,811	\$13,105	\$8,294

A Broken System of Finance

The current system of school finance in California is founded on neither equity nor adequacy. The State of California’s revenue limit system of school finance perpetuates significant inequalities in base unrestricted funding for school districts. No two school districts are guaranteed the same dollar per student in unrestricted funding from the state.

When yearly cost of living increases are added to the prior year's funding level, the gap between school districts is not narrowed. In other words, while all districts are held to similar academic milestones, they do not have equal means to achieve them.