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# GETTING BEYOND THE FACTS: REFORMING CALIFORNIA SCHOOL FINANCE

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## **Historical forces shaping California school finance**

- Court decisions
- Legislation
- Ballot initiatives

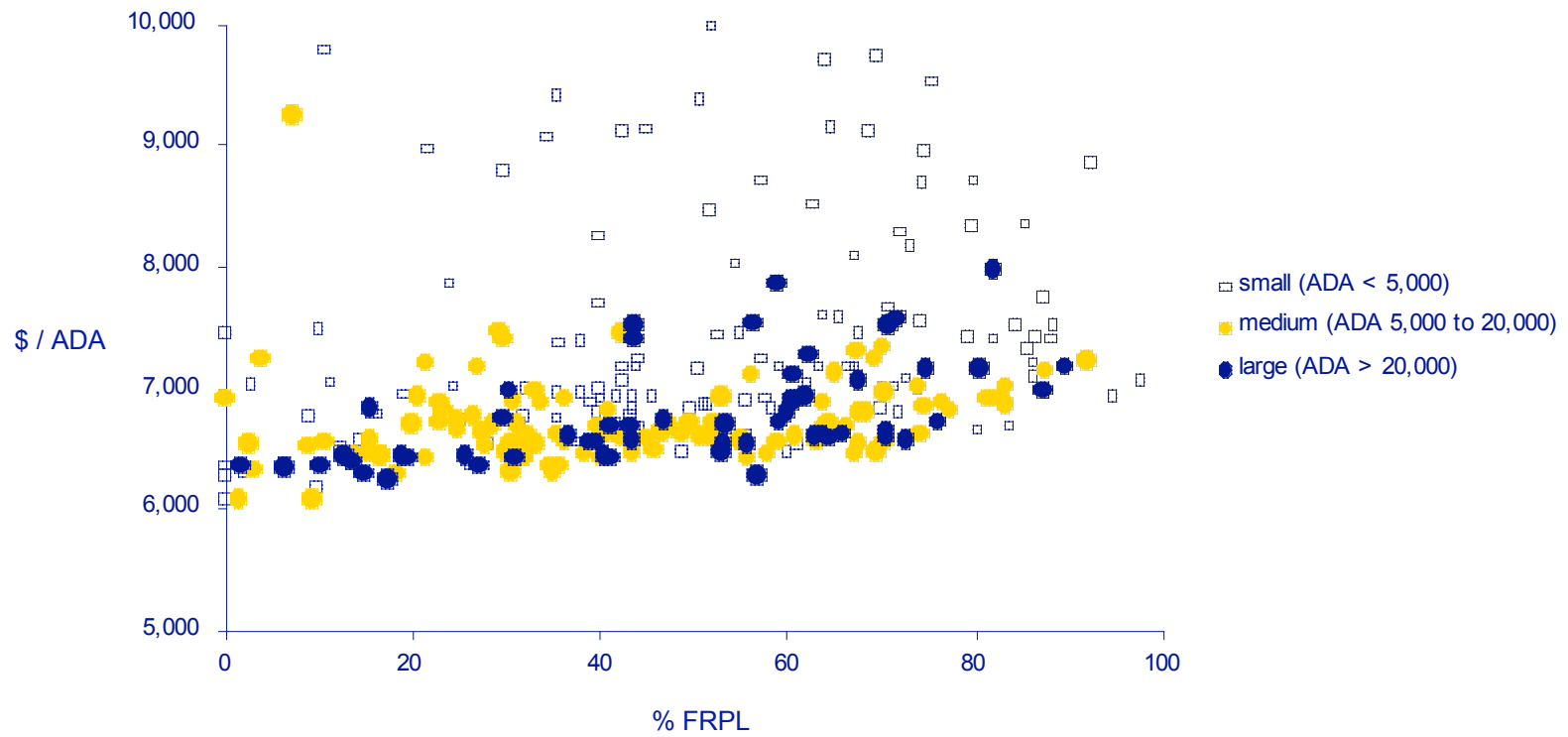
## **Key features of the California school finance system**

- Highly centralized
- Substantially equalized (especially large districts)
- Low spending
- Very complex

## **Key features of the California school finance system**

- Differences in student needs and regional costs are not systematically accounted for.
- Revenue limits are based on spending patterns in the early 1970s and subsequent equalization, not on current demographics and student needs.
- Categorical programs, though well-intentioned, have produced bureaucratic complexity, inflexibility, and costly compliance burdens.
- California lags behind a majority of other states in education spending, but putting more money into the current system is unlikely to improve results.

**Figure 1. State and local revenue per ADA by district poverty level for all California unified districts (2004-05)**



## **Core principles to guide reform**

- Revenue allocations should be guided by student needs.
- Revenue allocations should be adjusted for regional cost differences.
- The system as a whole should be simple, transparent, and easily understood by legislators, school officials, and the public.
- Reforms should apply to new money going forward, without reducing any district's current allocation.

## **Basic components of reform proposal**

- Base funding ( $\$B$ )
- Special education ( $\$S$ )
- Targeted funding ( $\$T$ )
- Regional cost adjustments ( $R$ )
- Hold harmless ( $HH$ )

## **“Three-layer cake”**





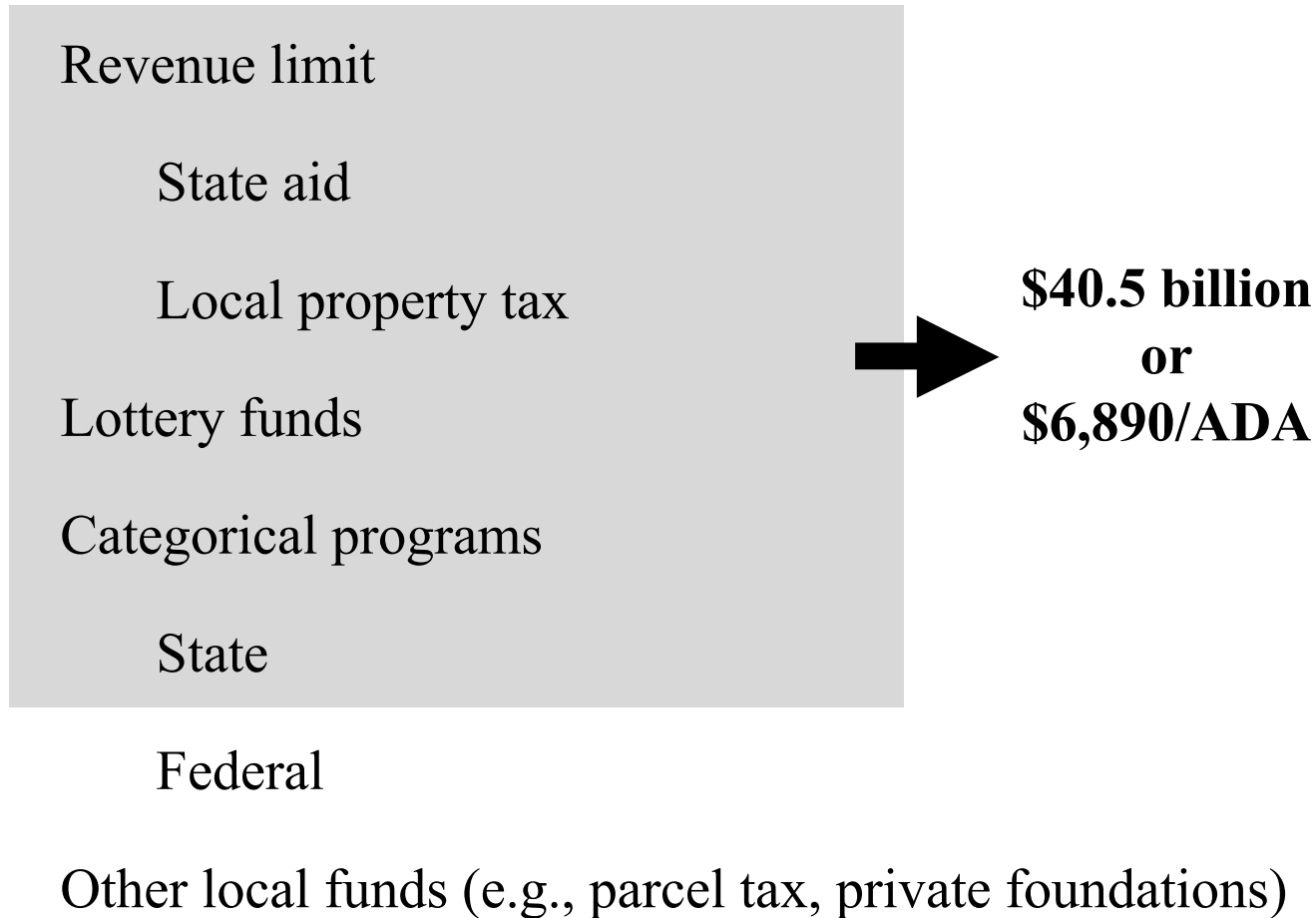
**District revenue per ADA =**

$$\$B + \$S + \$T$$

$$R * (\$B + \$S + \$T)$$

$$HH [ R * (\$B + \$S + \$T) ]$$

## K-12 education revenue (2004-05)



## **Base funding**

- Ideally, a foundation of general support to enable the “average” child to meet state learning standards
- Covers the cost of buying textbooks and materials, maintaining safe and clean facilities, and hiring teachers and other personnel
- A placeholder for research and policy judgment on “adequacy”
- Base funding might vary by grade span, but this is a policy decision

## **Base funding**

- Combines revenue limit funding plus state categorical programs unrelated to special education, low-income students, or English learners
- Excludes child care and development programs, child nutrition, adult education, Regional Occupational Centers and Programs, and state mandates

## **Special education**

- Consolidates existing funding streams to Special Education Local Planning Areas (SELPA)
- Continues the equalization process begun in 1997 by the Special Education Reform Act (AB 602)
- Equalizes funding per regular student in each SELPA within five years

## **Targeted funding**

- Funds specifically to cover the additional costs of educating low-income students and English learners
- Combines 10 categorical programs related to low-income students and English learners

## Targeted funding

- Based on the *unduplicated count* of low-income students and English learners
  - Low-income defined as eligibility for free or reduced-price lunch: 185% of federal poverty line, or \$34,873 for a family of four in 2004-05
  - 85% of English learners are low-income, but it's unclear whether they need more—or simply different—resources than other low-income children
  - We don't “double count” low-income English learners, but we do count English learners who are not low-income

## Targeted funding

- Also based on *concentration* of targeted students:

$\leq 50\%$  concentration:  $\$T$

$> 50\%$  concentration:  $\$T \times 2 \times \% \text{ EL or low-income}$

Example: suppose  $\$T = \$2,000$

% Targeted students	Targeted amount
0% – 50%	\$2,000
60%	\$2,400
70%	\$2,800
80%	\$3,200
90%	\$3,600
100%	\$4,000



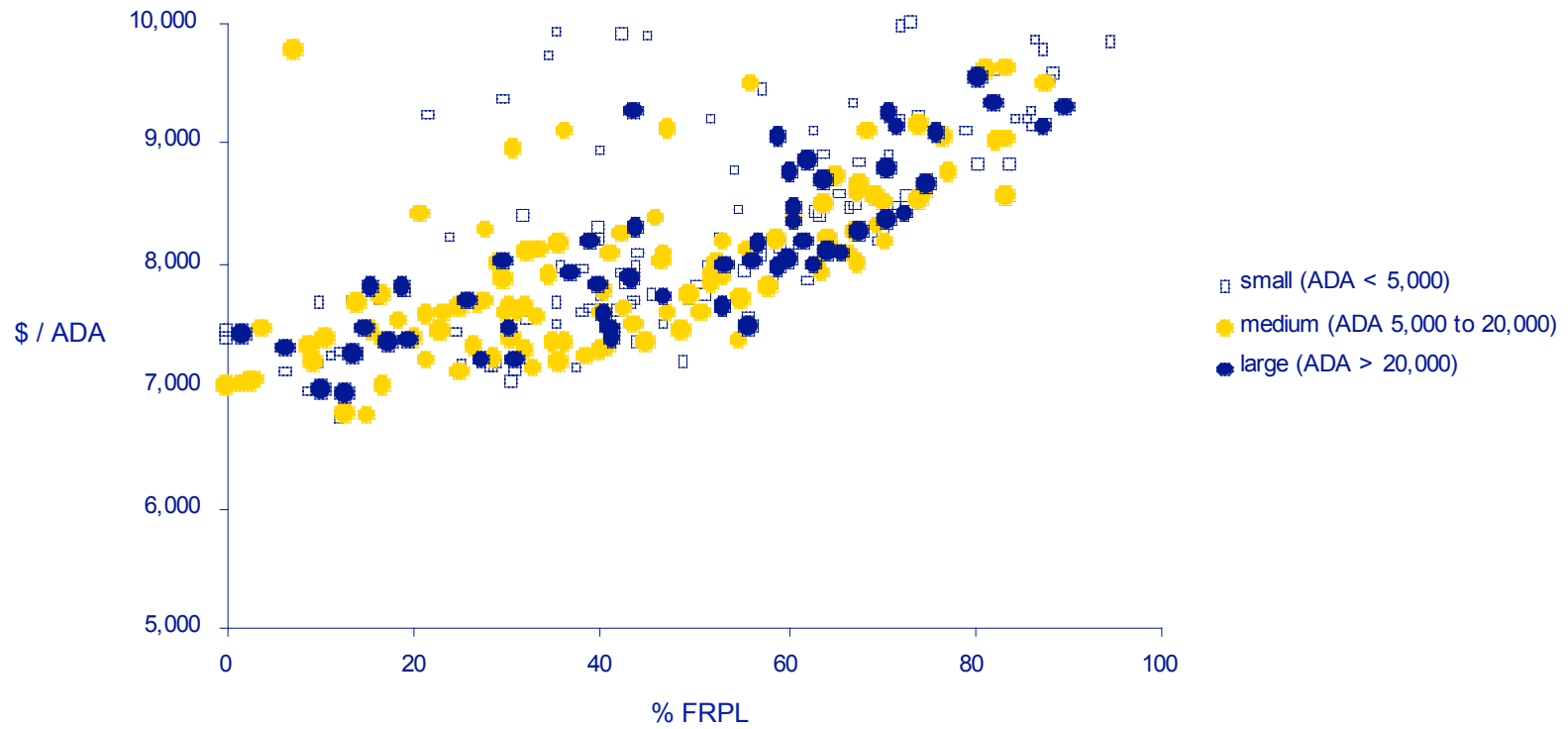
## **Regional cost adjustment**

- High-wage regions tend to have higher student-teacher ratios and a higher percentage of teachers with emergency credentials
- Rose & Sengupta (2007) computed salary index for each California county based on salaries of college-educated workers who are not teachers
- Salaries and benefits comprise 80% of school districts' costs, so we apply the regional cost adjustment to 80% of allocations

**Table 5. Overall system simulation (2004-05 data)**

Parameters	Lower bound		Upper bound	
	Total cost (millions)	Additional cost (millions)	Total cost (millions)	Additional cost (millions)
<b>Middle option</b>				
Base = \$6,200	\$36,577	\$1,783	\$36,577	\$1,783
Special ed = \$700	4,278	308	4,278	308
\$T = \$2,000	7,545	5,835	8,474	6,765
Total (HH each program)	48,400	7,926	49,329	8,856
Total (HH overall)	47,753	<b>7,280</b>	48,677	<b>8,203</b>

**Figure 2. Simulated revenue per ADA by district poverty level for all California unified districts (Middle option)**



## **Concerns and criticisms**

- Eliminate all the categoricals?
- Fairness of regional cost adjustments?
- Overclassification of students with special needs?
- Separate, cumulative weight for English learners?

## Concerns and criticisms

- What about charter schools?
- Do basic aid districts keep their excess tax?
- Winners, losers, budget deficit ... political feasibility?

*A lean budget gives lawmakers and the Education Coalition the chance to hammer out a school finance plan that's ready to go when new money fills the coffers.*

—Alan Bersin