

## California Education Funding FACT vs. SPIN

*Spin:* The Governor's proposed budget provides more than \$11,000.00 in per-pupil funding.

**Fact:** The Governor's 2008-09 proposed budget arrives at the \$11,626 per-pupil figure by taking the total revenues allocated at the state level for K-12 education (\$68.5 billion) and dividing it by the estimated average daily attendance (ADA) of students in California (5,892,000). This amount includes funding that has little or nothing to do with student support including adult school, education for prisoners, child care, state building projects, capital outlay, and debt service. (Department of Finance, K-12 Budget Documents, January 2008). The calculation uses ADA which is normally less (approximately 95%) than actual enrollment, further inflating the per-student amount.

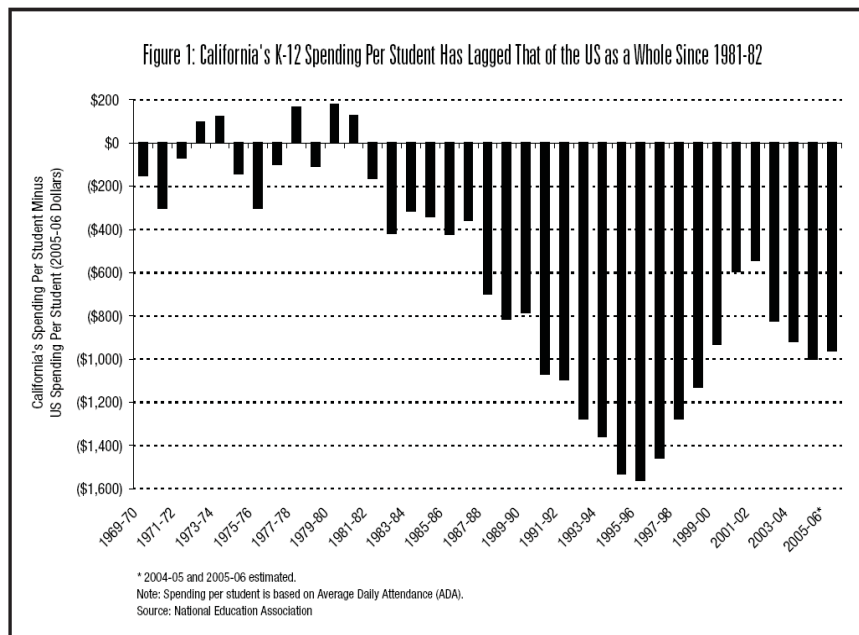
The Ed-Data website (<http://www.ed-data.k12.ca.us>) contains the financial information reported by school districts to the California Department of Education. According to Ed-Data the average revenue per student of for the 2006-07 school year was \$7,797 per ADA from state sources. The figure used by the Governor for this same period was \$11,279 – a difference of \$3,482 or 35%.

### Additional information to consider:

- Education Week's most recent "Quality Counts 2008" survey of states ranked California 46th in the nation in K-12 education funding, down from 43rd in just two years and nearly \$2,000 below the national average. These rankings reflect the per-pupil funding amounts published by the U.S. Department of Education's National Center for Education Statistics, adjusted for variations in local costs using the NCES Geographic Cost of Education Index.

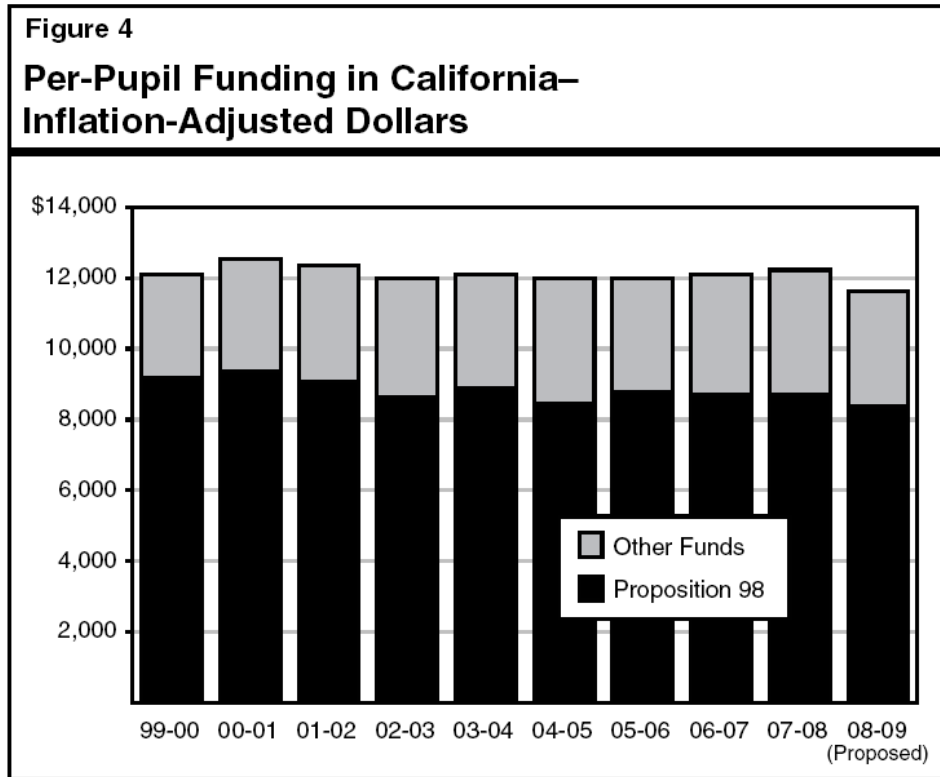
According to the American Institutes for Research, the Geographic Cost-of-Education Index (GCEI) is a tool used to adjust State education aid to reflect regional differences in the cost of providing educational services that are outside the control of local jurisdictions. The GCEI measures the real purchasing power of the educational dollar across states and local jurisdictions.

- From the 1970s to the current day, per-pupil expenditures in California have been below the national average (California Budget Project, October 2007).



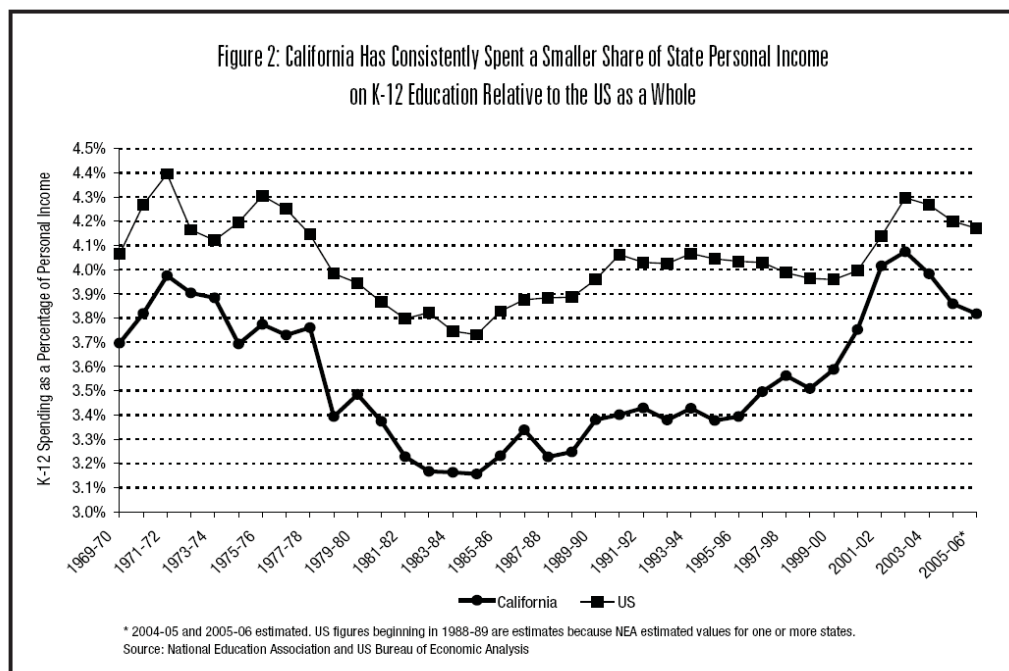
**Spin:** The legislature has increased funding for education in California by more than 20% in recent years. Californians can't afford to give more.

**Fact:** According to the Legislative Analyst's Office (the non-partisan advisory body to the California State Legislature) education funding in California has increased but when adjusted for inflation, it has remained flat over the last decade.



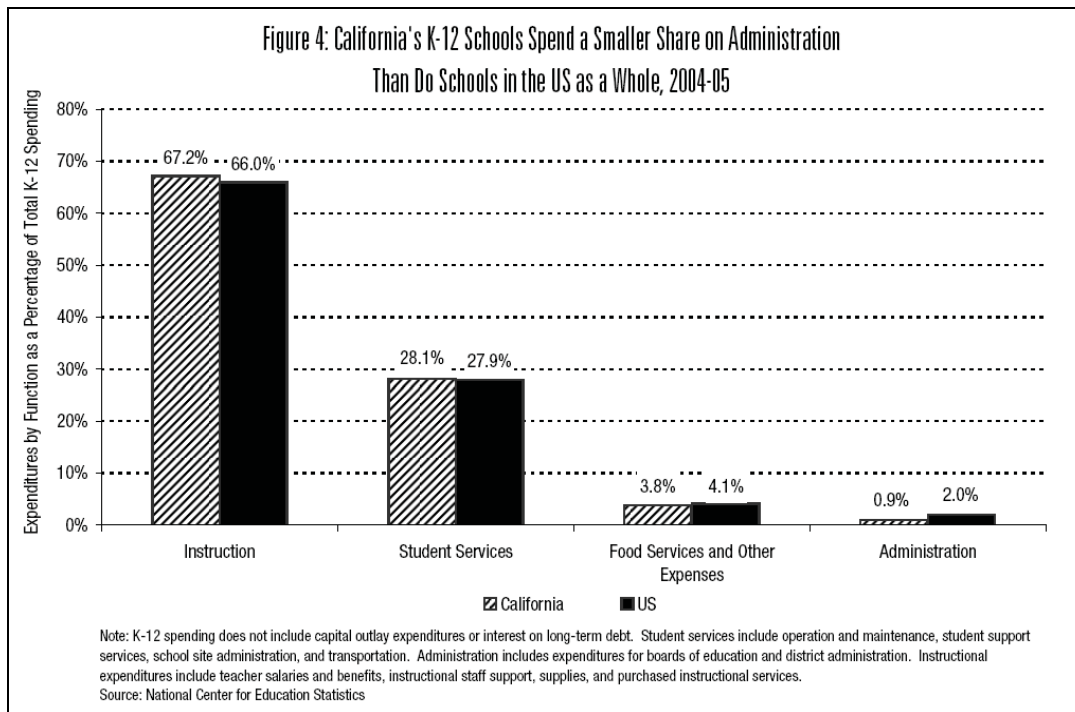
Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill*

**Additional information to consider:** Since the 1970's, California has consistently spent a smaller share of state personal income on K-12 education relative to the US as a whole.



**Spin:** Schools get plenty of money – they just need to trim the fat. One of their biggest problems is they spend too much money on administrators in their district offices and not enough in the classroom.

**Fact:** As a percentage of expenditures, California’s K-12 schools allocate less than half of what other states do on administration, and slightly more on classroom instruction.



California Budget Project, *How Does California Compare?: Funding California's Public Schools*, October 2007

### Additional information to consider:

The most recent comparison by EdSource (February 2008) found that California's staff-per-pupil ratios remain at or near the bottom in the nation:

- Ratio of school administrators to students: 47th in the nation
- Ratio of teachers to students – 49th in the nation
- Ratio of guidance counselors to students – 51st in the nation
- Ratio of librarians to students – 51st in the nation

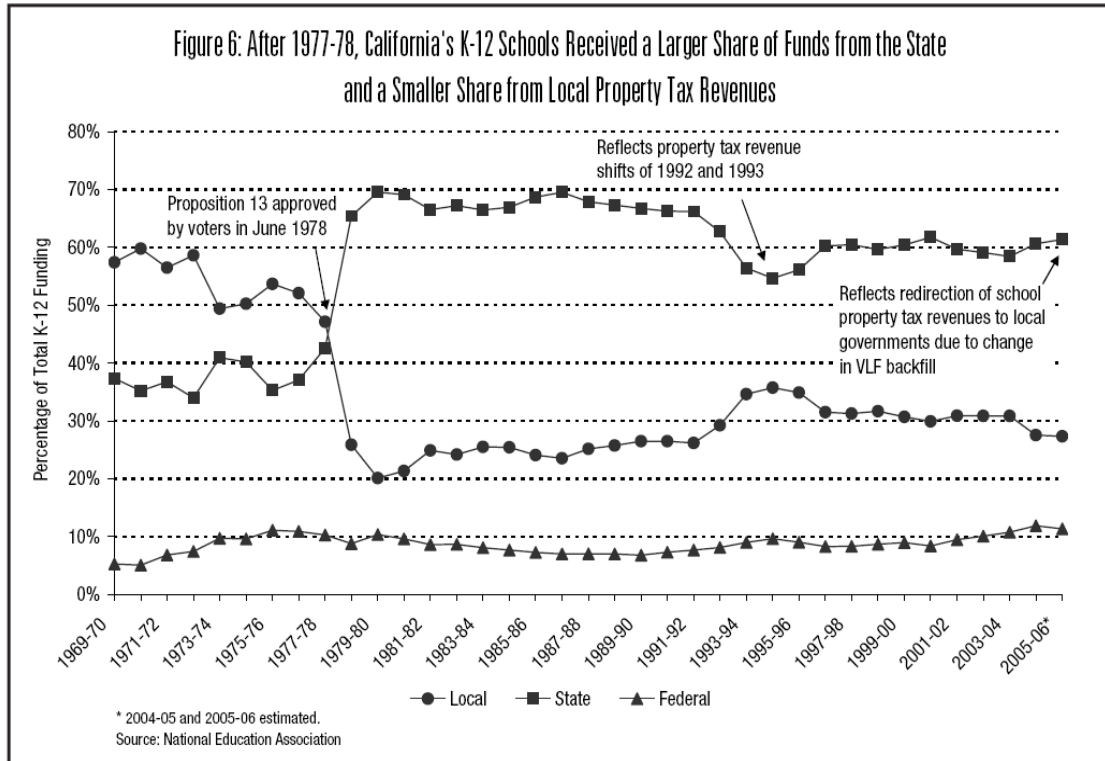
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**Spin:** California continues to spend more and more money on education and our test scores have not improved. Why put more money into a broken system?

**Fact:** Experts including the Fordham Foundation (one of the nation’s leading proponents of rigorous academic standards), the Public Policy Institute of California, EdSource and researchers at Stanford University all confirm that California’s K-12 academic and performance standards are among the most challenging in the nation. With hard work, modest investments in teacher training and the adoption of standards-aligned textbooks, our students and schools have been making progress. Reading scores are up 25% and math scores have increased 17% in the last four years (California Department of Education, CST Scores, 2007 vs. 2003).

**Spin:** Everyone is expected to live within their budget. Schools need to do the same.

**Fact:** Since Prop 13 was passed in 1978, education funding has shifted from being dependent on property tax, a relatively stable source of funding, to sales and income tax which are more volatile. In addition to having an unstable funding source, California's state budget isn't typically adopted until after the school year begins. It is difficult for any school district to live within a budget they neither control nor know in advance the amount of their primary funding source.



California Budget Project, *How Does California Compare? Funding California's Public Schools*, October 2007

**Spin:** The lottery should provide a significant source of funds for education. What's happening to all that money?

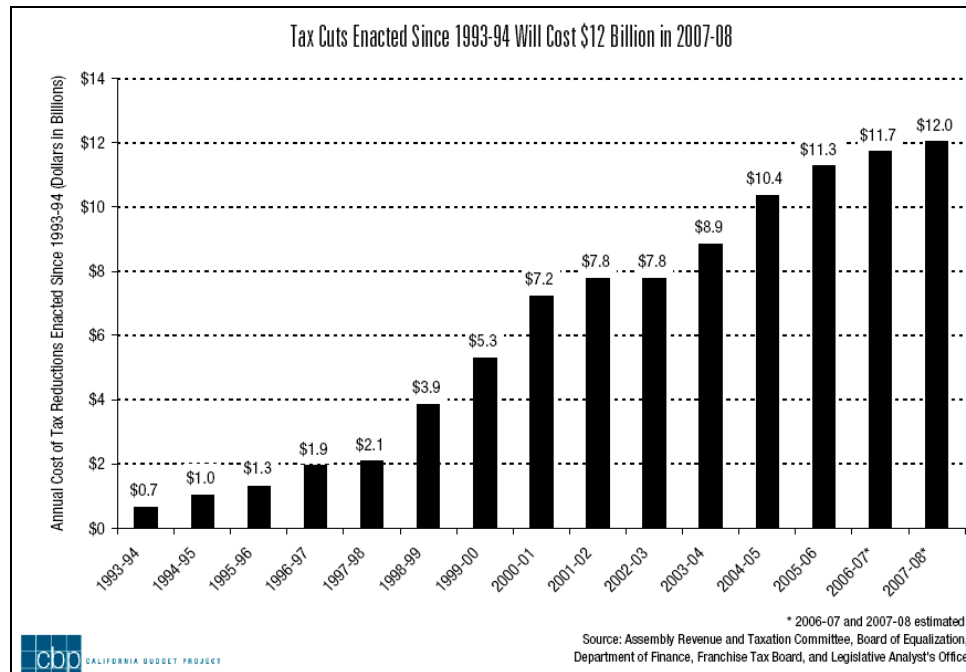
**Fact:** The state lottery provides a small share of the total support for California's public schools. Lottery funds accounted for 4.6 percent of total K-12 spending in 1985-86, but only 1.9 percent in 2005-06.

While California lottery supporters note that it provides support to education, ironically, the lottery may also reduce other state revenues that support California's public schools. Research suggests that the money Californians spend on the lottery may result in a reduction in what they spend on other goods, including goods subject to the state's sales tax. To the extent lottery ticket buyers spend less on taxable goods, the lottery reduces state sales tax revenues and thus the funds available for public education.

**Spin:** California has a spending problem, not a revenue problem.

**Fact:** Tax policies and economic trends contribute to the state's budget problems:

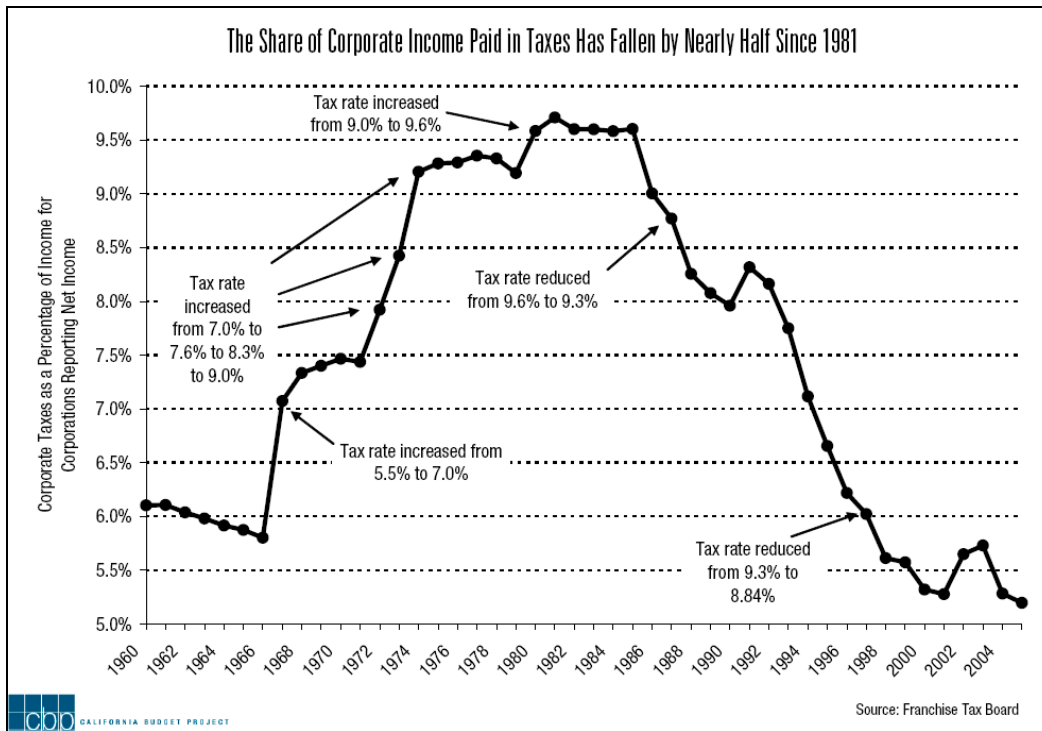
- Tax cuts enacted between 1993 and 2006 will cost the state \$12 billion in 2007-08. The largest reductions include the \$4.8 billion reduction in Vehicle License Fees, the \$1.0 billion expansion of the dependent tax credit, and the \$562 million 1996 corporate tax rate reduction.



California Budget Project, *Two Steps Back: Should California Cut Its Way to a Balanced Budget?* February 2008

- In a February 27 report to the Senate, the Legislative Analyst's Office, the non-partisan advisory body to the legislature, reported on several hundred Tax Expenditure Programs or TEPs with an estimated 2008-09 value of nearly \$50 billion. TEPs are various special tax provisions that reduce the amount of revenues the "basic" tax system would otherwise generate. Most involve tax exclusions, exemptions, deductions, credits, special filing statuses, and preferential tax rates that benefit certain groups of taxpayers, and/or create incentives to encourage certain types of behavior and activities. TEPs require a majority to enact but a super-majority to reduce or eliminate.
- The Legislative Analyst has recommended the elimination or modification of reducing inefficient or ineffective TEPs to generate an estimated \$2.7 billion in 2008-09. One of these is the so-called "sloophole." State law requires that a use tax be paid on goods purchased out-of-state for use in California. For purchases of vessels, vehicles, and aircraft, such items are deemed to be for use in the state if they are brought into California within 90 days of their purchase. Otherwise, no use tax is owed, even if they are permanently used here once the 90 days have passed. The Legislative Analyst has recommended lengthening the timeframe from 90 days to one year. The Legislative Analyst noted that evidence exists of the purchasers of items, such as expensive yachts, arranging to keep them out of state until the 90 days have passed, sometimes using the large use tax savings involved to help finance recreational stays in such places as the coast of Mexico until the qualifying period is up.
- The yield of the state's sales tax has declined over time, reflecting the shift in economic activity from goods to services and the rise of Internet and mail order sales that escape taxation. If taxable purchases accounted for the same share of personal income in 2008-09 as they did in 1966-67, the state would collect an additional \$15.9 billion in sales tax revenues.

- The phase-out of the federal estate tax will cost the state over \$1.1 billion in 2008-09. Current law reinstates the tax in 2011. However, the President proposes making the repeal permanent.
- Corporate income taxes have declined over time as a share of General Fund revenues and as a share of corporate profits. If corporations had paid the same share of their profits in corporate taxes in 2005 as they did in 1981, corporate tax collections would be \$7.3 billion higher.



California Budget Project, *Two Steps Back: Should California Cut Its Way to a Balanced Budget?* February 2008