



**CALIFORNIA'S NEW SCHOOL FUNDING SYSTEM IS ONLY THE FIRST (SMALL) STEP**  
***Inadequacy and Inequity Continue to Burden California's Public Education System***

**Executive Summary**

California has had a unique and poorly understood funding system for public education dating back to the 1970s as the result of Proposition 13, Serrano v. Priest, and further initiatives, legislative decisions, and economic factors. This byzantine system has resulted in the systematic disinvestment in our public schools and a resulting public crisis - California ranks near or at the bottom among all states in almost every measure of public education investment, including per pupil spending and student to adult ratios.

In the last year, two efforts appeared to address this crisis -- the Local Control Funding Formula (LCFF) and Proposition 30. LCFF changed how the "Revenue Limit" is calculated for each school district, giving greater weight (and more funds) to school districts with more children in poverty and English language learners. Proposition 30 temporarily increased state personal and income taxes and was championed largely to prevent additional cuts to public schools. Although SMCSBA believes that LCFF was a positive step, it is just a first, small, step toward greater equity. As it is just a new distribution formula rather than a funding measure for education, it will for a number of years lock many school districts to a revenue level below what they had in 2007! Furthermore, Proposition 30 did not increase funding for public schools -- it just prevented further cuts above those already made in the prior five years.

The combination of LCFF and Proposition 30 has caused many voters and elected representatives to erroneously infer that we have "fixed" the funding issues for education. Nothing could be further from the truth. Neither Proposition 30 nor LCFF changes the fundamental structure and deficiencies of our current finance system. Most school districts in California will remain woefully underfunded with inequalities among districts still at alarming levels. Wealthier communities have the ability to mitigate (although not fully) deficiencies from the state through private fundraising, local parcel taxes, and greater parent involvement. All the while, the communities which have the fewest resources have limited ability to raise funds privately or through local parcel taxes and often have parents who cannot afford to spend as much time involved at the school. These communities often lack affordable enrichment activities and support services and often pay less to teachers and other staff members. Yet it is these school districts which often have student populations requiring more resources. Even with LCFF's commitment to underserved students, the continued overall disinvestment in California's public education system means LCFF does little to compensate for this deficiency. The combination of poorly resourced schools and heterogeneous communities creates a significant "opportunity gap."

California must seek meaningful, structural solutions to fund public schools, which would certainly require, at a minimum, per student funding for California school districts "leveled up" to higher performing states (other states average over \$11,000 per student per year). Additional revenue could be gained from reprioritization of existing state spending, implementation of new state-wide or county-wide taxes to fund education, and/or lowering the local parcel tax threshold. In addition, there are structural changes which would have a much greater impact on this opportunity gap than will LCFF -- such programs could include universal pre-school and wrap-around services to families in a community schools model. Our legislators need the political will to "grow the pie" for education and modernize the California Education Code to maximize local flexibility in providing highly effective programs and teachers for all students, ensuring quality early childhood education for all students, and providing funds for modern facilities and infrastructure to support 21st Century Learning.

**Introduction**

The San Mateo County School Boards Association (SMCSBA), representing the 23 school districts and the County Office of Education in San Mateo County, California, is publishing a series of position papers on relevant and important topics related to public education in California. These viewpoints are shaped by the collective experience and perspective of over 100 school board members who serve in San Mateo County, all for little or no compensation but rather for the passion of serving students in Pre-K through grade 14. Local school board members are charged with ensuring that our public education system fulfills its goals of providing opportunities for each student to reach his or her highest potential and to be a productive and responsible member of society.

Unfortunately, the debate around public education policy often simplifies complex and nuanced issues, unfairly bifurcates positions (e.g. "reformers" vs. "traditionalists"), and often ignores the perspective of those individuals who are responsible for the governance of our local school systems. Having all gone to school, most citizens have an opinion on how to fix schools, so the debate often gets sidetracked and fails to focus on the most critical topics. The goal of these position papers is to give context and perspective to these debates and propose impactful solutions for the highest priority issues.

This first in a series of position papers is meant to serve as an overarching summary of the greatest issue that plagues our public education system in California -- a finance structure that systematically both underfunds almost all public schools while at the same time perpetuates inequities across communities within the state. This paper will address briefly a number of sub-topics and related topics, and many of these issues will be presented in more detail in subsequent position papers.

**History of California Education Finance**

The history of the California Education Finance system is an odd one not understood by most of the state's citizens nor most of its elected representatives. Although there has been near universal agreement (particularly prior to the passage of the Local Control Funding Formula) that the system is byzantine and inadequate, there has been little understanding how it got this way. It was not a "designed" system but rather the result of series of initiatives, court cases, legislative decisions, and economic factors that conspired in a complex way to create something unintentional and universally unsatisfactory. The most important events that shaped the funding system include Proposition 13 (an initiative passed in 1978 that limited property taxes) and a court case called *Serrano v. Priest* (a 1970s case which established that the then-current system of funding education via property taxes was unconstitutional). For more details on the history of the system, please review this video: <https://vimeo.com/19633910>.

However, the results of this disinvestment in public schools in California are clear. California ranks between 44<sup>th</sup> and 48<sup>th</sup> out of 50 states in per pupil spending (depending on the study and whether or not regional cost of living is taken into account), 48<sup>th</sup> in teacher to student ratio, and at or near the bottom of all measures of adult staff (including librarians, counselors, administrators, etc.) to students. California's schools spent \$2,475 less per student than the rest of the US in 2012-13, and spent \$4,080 less per student in 2012-13 than Illinois and nearly \$6,700 less per student than New York.<sup>1</sup> This has affected everything including proficiency rates in all grades in all subjects, graduation rates, and college and career readiness. It is nothing short of a public crisis that will impact the citizens and the economy of this state for decades to come.

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<sup>1</sup> California Budget Project, School Finance Facts, October 2013

**LCFF and Proposition 30**

In June 2013, Governor Brown signed into the law the Local Control Funding Formula (LCFF) as part of the state's 2013-2014 budget. LCFF changed how the "Revenue Limit" is calculated for each school district, giving greater weight (and more funds) to school districts with more children in poverty and those with more children who are English language learners. Although SMCSBA believes that LCFF is a positive step, it is just a first step toward greater equity. Unfortunately, LCFF is just a new distribution formula, and as such:

- does not increase the overall level of funding for education, as funding levels for most school districts will remain below their 2007-2008 funding amount for many years to come (see Appendix B);
- does not increase funding for special education, which for most districts requires significant encroachments on general fund dollars;
- keeps California locked in to the lowest per pupil funding levels in the country;
- despite its mantra of "local control," may add new regulatory and reporting burdens on local school districts regarding the distribution and use of these funds; and
- won't reach its target per pupil spending levels for eight years, and even that target assumes continued economic growth (i.e. no recessionary period) in the state during that time.

Proposition 30 was an initiative passed in November 2012 which temporarily increased both personal income taxes and sales taxes statewide and was championed largely to prevent additional cuts to public schools.

Unfortunately the combination of LCFF and Proposition 30 has caused many voters and elected representatives to erroneously infer that we have "fixed" the funding issues for education. Nothing could be further from the truth. Proposition 30 did not add a single dime to education funding -- it just reduced the likelihood of additional cuts above the ones that had already occurred in the prior five years. Additionally, Proposition 30 is a temporary measure, with the taxes expiring between 2016 and 2018.

SMCSBA is pleased by the passage of both Proposition 30 and LCFF, but recognizes that neither changes the fundamental structure and deficiencies of our current finance system. Most school districts in California will remain woefully underfunded with inequalities among districts (particularly in San Mateo county) still at alarming levels (see Appendix A).

This level of inadequacy and inequity has enormous ramifications. Almost all school districts will continue to face many of the following problems, even after LCFF implementation:

- Large class sizes;
- Few, if any, teacher aides and assistants;
- Undercompensated staff (with a resulting high level of turnover);
- Minimal professional development and cursory evaluation systems for staff;
- Minimal or non-existent "non-core" programs such as music, art, counseling, library support and physical education;
- Lack of sufficient after-school and summer enrichment programs;
- Outdated facilities; and
- Inadequate technology, internet access, and other teaching tools.

San Mateo County is a microcosm of the larger U.S., with both rich and poor school districts and cities. Among the 23 school districts, there are many "basic aid" school districts that are primarily funded through local property taxes at per student levels that are significantly higher than those districts funded through the state, while at the same time it has some of the lowest funded "revenue limit" districts in the state, particularly when measured against real cost of living. See Appendix A for a graph comparing the funding levels of elementary school districts in San Mateo County. This wide difference in funding among districts in the county is staggering and has grave implications. Wealthier communities have the ability to mitigate (although not fully) deficiencies from the state through private fundraising, local parcel taxes, and greater parent involvement. All the while, the communities which have the fewest resources have limited ability to raise funds privately or through local parcel taxes and often have parents who cannot afford to spend as much time involved at the school. These communities often lack affordable enrichment activities and support services and often pay less to teachers and other staff members. Yet it is these school districts which often have student populations requiring more resources. Even with LCFF's commitment to underserved students, the continued overall disinvestment in California's public education system means it does little to compensate for this deficiency. Despite the intent of Serrano vs. Priest to "level" funding of school districts, gross inequities remain. See Appendix B for a graph comparing an estimate of state funding for our county's elementary schools upon full implementation of LCFF as compared to the current funding as well as to funding from seven years ago. It puts into perspective how little progress will have been made in those 15 years and how much inequity will remain (and note that this comparison is only of nominal dollars funded -- it does not take into account the real cost increases that will have occurred over that 15 year period).

An example of the impact of this inequity can be seen in the significant disparity in salary schedules across school districts in the county. In San Mateo County, differences in pay for teachers in neighboring schools can approach 40% (see TABLE A below for a comparison of just the few high school districts in the county). What is the impact of differences in pay? Naturally, more highly qualified and more sought after teachers have a strong incentive to work in the districts that pay better. These districts are also able to use their higher funding levels to provide lower class sizes, more teacher support, specialist programs and other classroom support. Additionally, parents in these districts typically are more heavily involved in their children's education through volunteering, donating money, and providing support at home.

In lower-funded districts, teachers have larger class sizes and often work with students whose families have limited educational backgrounds and English language knowledge, making their job that much more difficult. Furthermore, when their test scores underperform those better performing districts, their school districts are classified as in need of "program improvement." It is no wonder that in many of these districts, there are teacher vacancies when school starts as teachers have resigned at the last minute to move onto to better paying jobs.

<b>TABLE A - Salary Comparison - San Mateo County's High School Districts (2012-13)</b>				
	BA +30 5 Years Exp	BA + 75 5 Years Exp	BA +30 10 Years Exp	BA + 75 10 Years Exp
Cabrillo Unified	\$48,485	\$55,527	\$60,622	\$67,264
Jefferson Union	\$44,525	\$49,707	\$54,259	\$61,085
San Mateo Union	\$62,185	\$71,652	\$77,964	\$87,430
Sequoia Union	\$60,781	\$69,824	\$75,006	\$87,464
So. San Fran Unified	\$48,070	\$52,062	\$55,321	\$64,207

### **The Opportunity Gap**

The combination of poorly resourced schools and heterogeneous communities creates an "opportunity gap," and this gap is one of the most significant issues affecting students throughout our county. This opportunity gap mirrors the disparities across the state and country. Research shows that family education level and resources are the greatest predictors of student success regardless of where the student attends school. Many students in families with fewer resources lack high quality child care and preschool, academic conversations, reading in any language, and enriching experiences. Thus, closing the opportunity gap must focus on mitigating the disadvantages that many students have before walking into the school. SMCSBA believes that universal preschool provides the most impactful solution for closing this gap. It is somewhat an accident of history that public school for all starts at age 5 -- if one were to redesign the system today, surely free, public school would start as early as age 3 (if not earlier). There would be no concept of "preschool" per se, but rather just "school."

Research has shown us that that about half of the achievement gap between black high school students and white high school students in both math and reading can be explained by skill differences these children had at the start of their school careers<sup>2</sup>. And we know that the positive effects of early childhood education and support extend well into adult life and result in significant savings to taxpayers. Professor James Heckman's assertion that we save \$7 for every dollar invested influenced President Obama's State of the Union address in which he affirmed his commitment to early childhood education.

Schools can help close the opportunity gap with additional resources through offering:

- high-quality preschool for all 3 and 4 year olds;
- high-quality classroom experiences with excellent teachers and support;
- extended day learning/longer school day;
- summer learning opportunities;
- enrichment opportunities for all students; and
- full-service community schools/wrap-around services for families

In San Mateo County we have seen innovative models for early childhood education including Preschool for All. Currently we are enjoying a resurgence of interest with the Peninsula Partnership Leadership Council leading efforts around reading at grade level by third grade and focusing on preschool as a key point of influence. SMCSBA fully supports these efforts as well as efforts by school districts to provide early childhood education. To that end, we urge board members to advocate for, and our state and federal elected leaders to enact legislation that:

- increases Federal, State and local funding directed specifically for implementing universal preschool;
- fosters partnerships among First 5, local school districts and private funders to provide access to additional preschool classrooms particularly in districts with high rates of poverty; and
- provides expanded training and support for preschool teachers.

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<sup>2</sup> National Center for Education Statistics. Early Childhood Longitudinal Study – Kindergarten Class of 1998-99 (ECLS-K). as cited in Building a 21st Century Economy: The Case for Investing in Early Education Reform by Shelley Waters Boots. New America Foundation. 2005.

**Other Ramifications of Poor Investment**

While adequate and equitable funding is the first prerequisite for "fixing" a broken public education system, it is hardly the only change needed. Although each of the issues outlined below will be elaborated upon in future SMCSBA position papers, they are included here as they are similarly dependent upon the availability of resources. Public schools face a unique opportunity to provide a true "21st Century Education," but it will require both sufficient resources and regulatory and structural changes for implementation. Some of these specific ramifications for school districts and students from our current system include:

- Inconsistent access to resources -- many districts do not have broadband internet to every classroom, devices to support student access to information, and applications and support for educators;
- Insufficient evaluation and support systems for teachers -- many school districts do not have the resources to treat teachers as true professionals. In addition to poor compensation, they lack adequate professional development and planning time, support, and evaluation systems to continually improve their craft;
- Lack of readiness for Common Core Implementation -- the transition to the Common Core State Standards (CCSS) will require a significant investment in professional development, pedagogical materials, and many support services for staff, students, and parents. State grants for such implementations will be insufficient to complete such transition well;
- Poor measurement systems of student outcomes -- the current CST system is being replaced with the Smarter Balanced Assessments as part of the CCSS, but schools need to invest both in the technology infrastructure to implement such assessments as well as in systems to measure many types of outcomes and be able to analyze, act on, and communicate such data; and
- Outdated Education Code -- the California Education Code was written for another time, and, as such, is a hindrance to local school districts trying to implement a more modern and relevant approach to public education. This includes everything from textbook requirements to rules around human resources.

**A Structural Solution Needed (with Significant Investment)**

Despite all of the recent focus on education funding at the state level, we remain, like the Red Queen in *Through the Looking Glass*, observing that "It takes all the running you can do to keep in the same place." Citizens need to continue to pressure their elected representatives to run forward by seeking meaningful, structural solutions to fund public schools in California. Any potential solution would certainly require additional funding, which could be accomplished by additional state revenue and/or cuts in other areas of state spending. At a minimum, per student funding for California school districts needs to be "leveled up" to higher performing states (the remainder of the country spends on average over \$11,000 per student per year). Additionally, with San Mateo County's extremely high cost of living, our schools need to spend much more than the national average to provide the same services and relative pay for employees. Even in the absence of state action, San Mateo County has the opportunity to act to create such an increase in funding and equity across our school districts.

Potential solutions -- both at the state and county level -- to address the need for additional revenue for education can include:

- State implementation of a more stable source of state income, such as vehicle license fee and/or tax on services;
- Closing loopholes on current taxes and dedicating the revenue to education;
- Redirecting funding from other state programs and dedicating it to education;

- Reform of Proposition 13 to create a "split roll," removing commercial property from tax limits;
- Lowering the threshold for passing local parcel taxes from the current 67% to 55%;
- Passage of a county-wide funding measure focused on education in the form of a sales tax, income tax, or other source; and
- Creation of a county-wide consortium of funding through additional taxes, private funds, donations, or savings elsewhere.

Our legislators need the political will to reform our state tax revenue system to not only "grow the pie" for education but also to reduce the revenue volatility (boom and bust pattern). In addition, structural changes in the system must be made a priority, including modernizing the California Education Code to maximize local flexibility in providing highly effective programs and teachers for all students, ensuring quality early childhood education for all students, and providing funds for modern facilities and infrastructure to support 21st Century Learning. Only by addressing all of these issues will we have a chance to close the opportunity gap for students in California.

*APPROVED BY THE BOARD OF DIRECTORS OF THE SAN MATEO COUNTY SCHOOL BOARDS ASSOCIATION ON NOVEMBER 14, 2013.*

#### **About SMCSBA**

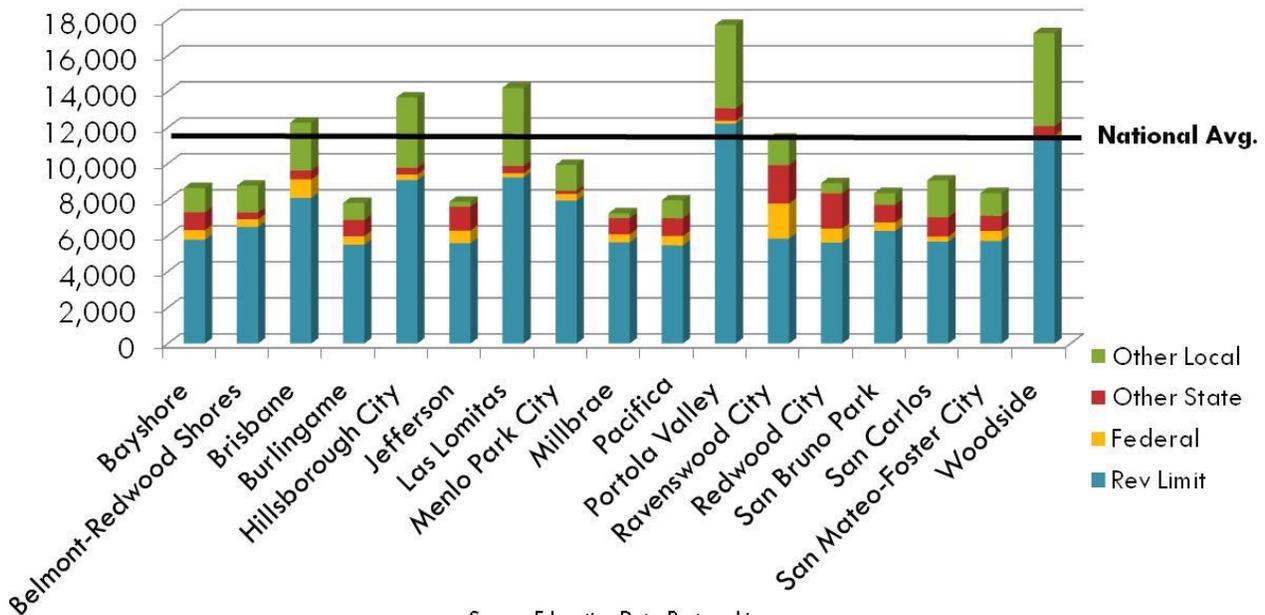
The San Mateo County School Boards Association represents the 22 school districts, the Community College District and County Office of Education in San Mateo County, California.

SMCSBA supports the governance team — school board trustees, superintendents and senior administrative staff — and provides networking opportunities for its members. It is a chapter of the California School Boards Association, which is involved in developing, communicating and advocating the perspective of California school districts and county offices of education.

SMCSBA provides educational opportunities at dinner events for board members and administrators on critical issues as well as a New Board Member Workshop in the fall. Each academic year is celebrated with the J. Russell Kent Award Banquet, which honors creative teaching and educational programs within the county.

### APPENDIX A - CURRENT OVERALL FUNDING LEVELS

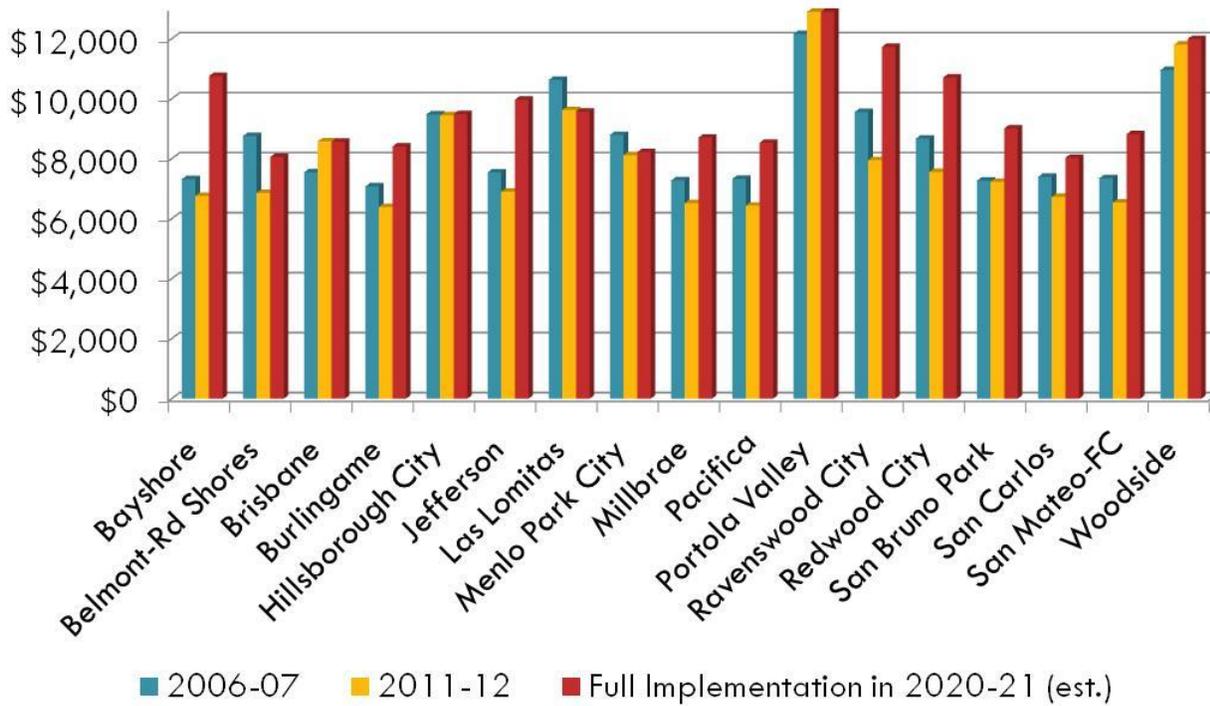
San Mateo County Elementary School Districts – Per Pupil Funding (2011-12)



Source: Education Data Partnership

### APPENDIX B - ESTIMATED LCFF FUNDING LEVELS

San Mateo County Elementary School Districts – Per Pupil **State Only** Funding (past, present, & future)



Sources: Ed-Data, California Department of Education