



# How California Ranks

Public education supports California's economic growth and creates opportunities for the state's youth. Given that, it is important for Californians to understand how much the state is investing in its schools and how that money is being spent. Comparing California with the nation and other similar states does not indicate whether the state is spending enough, but it does provide a perspective.

A wealth of data is available for comparing California's investment in public education with that of other states. State officials typically submit data to the National Center for Education Statistics (NCES) and the National Education Association (NEA), which then publish the data in annual reports. Many organizations interpret these data, choosing among dozens of variables, selecting years to report, and deciding which numbers tell their story best. Amid the cacophony of education facts that result, almost any advocacy group can find a way to present the data that supports their particular hypothesis about this state's capacity to support its schools, the sufficiency of its investment, and how well schools spend the money they receive.

This report is EdSource's attempt to rise above the noise and describe how California ranks on crucial measures of its education investment.

EdSource thanks The James Irvine Foundation for its investment in our core work.

## HIGHLIGHTS

EdSource examined the available data sources and interpretations with care and also consulted extensively with experts when we encountered questions or inconsistencies. Throughout this report, you will find straightforward explanations of what we found and—as necessary—notes about the data we chose and why we chose it. Based on our research, we feel confident in reporting the following:

**California's public schools serve the country's largest student population, one that is quite diverse and faces substantial challenges.** (Page 3)

**California's effort to support its schools financially does not quite match its capacity.** (Pages 4–6)

- The ratio of statewide personal income to the number of students was modestly above the U.S. average in 2007–08; and
- California ranked 14th among the states for the percent of personal income paid in taxes; but
- The percent of personal income that Californians devoted to K–12 schools was below the U.S. average.

**California's per-pupil expenditure lags the national average, and the gap grows if labor costs are considered.** (Page 7)

- In 2007–08, based on expenditures (“actuals”) reported to NCES, California spent \$9,706 per pupil, \$591 less than the national average.

- That year California ranked 28th among the states in its per-pupil expenditures.
- When the expenditure numbers are adjusted for differences in labor costs (the major component in a cost-of-living comparison), California's rank falls to 43rd.

**California's high labor costs and modest per-pupil expenditures mean that its school districts have low staff-to-pupil ratios compared with the country as a whole, with some staff categories particularly low.** (Page 8)

- California school district offices operate with 40% of the administrators found nationally.
- California schools have about half as many counselors and a fifth as many librarians as is the norm in the United States as a whole.
- California high schools have only half as many teachers as are found nationally.

**California school districts are for the most part similar to the rest of the country in their spending patterns, with about two-thirds of funds going to instruction.** (Page 9)

These conclusions are largely based on data from the 2007–08 school year, the most recent year for which reliable data are available. Significant cuts to education in California and many other states that began in fall 2008 are not reflected in these figures or comparisons.

## About the Data

### Using averages to compare states can obscure important differences

- States are dramatically different in size, ethnic and socioeconomic characteristics, cost of labor, and in how they set policy, fund public education, and govern their schools.
- The data are not always consistent from one state to another. Differences can occur in what data state officials collect, how they collect it, and in their interpretation and reporting.
- Averages, while often illuminating, can mask variations that are informative and important to the accuracy of the picture that they paint. For example, expenditures of school districts in the metropolitan areas of a state may not have the same purchasing power as the spending of districts in rural areas.
- Salary averages can reflect the changing characteristics of the workforce over time, particularly the addition of new teachers.

### This report uses enrollment as opposed to average daily attendance

Although much of California's K-12 education funding is based on average daily attendance (ADA) as opposed to enrollment, this report uses fall enrollment as the count of students because states vary more in how they define ADA. Fall enrollment is fairly uniformly defined as the number of students registered with a school district, generally as of early October.\* Enrollment is larger than ADA because ADA does not count students who miss school. In California, this includes absences due to illness.

### This report focuses on expenditures versus revenues

When per-pupil dollar amounts are discussed in this report, the focus is on expenditures—what the state and its schools spent providing K-12 services—as opposed to revenues, the amounts that school agencies received from local, state, and federal

sources. Expenditures indicate more precisely the level of instructional and support services that students receive in a given year.

### This report relies on both NEA and NCES financial data

All state school expenditure data reflected in this report come from state departments of education, including the California Department of Education (CDE). The CDE bases its expenditure information on unaudited reports from local educational agencies. These reports are known as “actuals” because they indicate what districts actually spent in a given year as opposed to what they planned to spend that year. For a few districts, the auditing process leads to substantial corrections; but for the state as a whole, the unaudited data are considered accurate.

The National Education Association (NEA) annually publishes these data and state-to-state comparisons in its *Rankings & Estimates*. The U.S. Department of Education's National Center for Education Statistics (NCES) regularly publishes expenditure data as well.

In this report, EdSource uses NCES figures for per-pupil expenditures because they reflect local agencies' actual expenditures in 2007-08. This is in contrast to NEA, which has published *estimated* expenditures for 2007-08 based on 2006-07 actual expenditures, adjusted to reflect state-level budget decisions. In addition, EdSource uses NCES staffing data because it is more detailed than NEA's.

However, EdSource uses NEA's 2006-07 figures for measures of “capacity” and “effort”—a state's financial ability to fund K-12 education and its actual education funding in relation to its citizens' personal income—because such compiled data are not readily available from NCES.

### This report includes only operating costs

Some analysts debate the specific expenditure categories that should be included in per-pupil spending comparisons. This report focuses on the operating

costs of K-12 schools (including charter schools) and the central offices of districts and county offices of education, consistent with both NCES and NEA. Different organizations that report on this topic define operating or “current” expenditures slightly differently.

The NCES figures include the following major categories:

- salaries and benefits for school personnel;
- student transportation;
- school books and materials;
- energy costs;
- summer school and extended-year programs;
- before- and after-school programs;
- state retirement contributions;
- preschool and child development spending;
- expenditures on schools at state institutions (e.g., Division of Juvenile Justice schools and State Special Schools for the blind and for the deaf).

NEA data, which forms the basis of some recent reports by other California organizations (and past EdSource reports), does not include preschool and child development spending or expenditures on schools at state institutions. And the NEA data for California includes a few items that NCES does not—most program-administration costs of state departments of education; the federal E-rate subsidy, which helps schools and libraries access the Internet at a discount; and spending on professional development for K-12 teachers that colleges and universities provide.

Both NCES and NEA exclude adult education, capital outlay, and debt service because those items are separate from, or only indirectly related to, the annual cost of educating K-12 students.

\*NCES includes students attending pre-kindergarten programs in school districts in its enrollment figures. Although California does not report a pre-kindergarten figure to NCES, the organization imputes one for the state—in this case, 68,002 for 2007-08. The inclusion of those young students in enrollments affects per-pupil expenditure computations.

## California's K-12 public school students are diverse and face obstacles to academic success

With more than 6.2 million K-12 students in its public schools, California educates far more young people than any other state—about 1.5 million more than Texas and about 3.5 million more than either New York or Florida.

The Golden State's K-12 student population is also one of the most ethnically diverse. Figure 1 shows the racial and ethnic distribution in 2007-08, the year on which this report generally focuses.

### More than half of the state's students are from low-income families, and many are English learners

About half of the state's students come from homes where English is not the first language. Spanish is by far the most common non-English home language, but dozens of others are spoken in homes throughout the state.

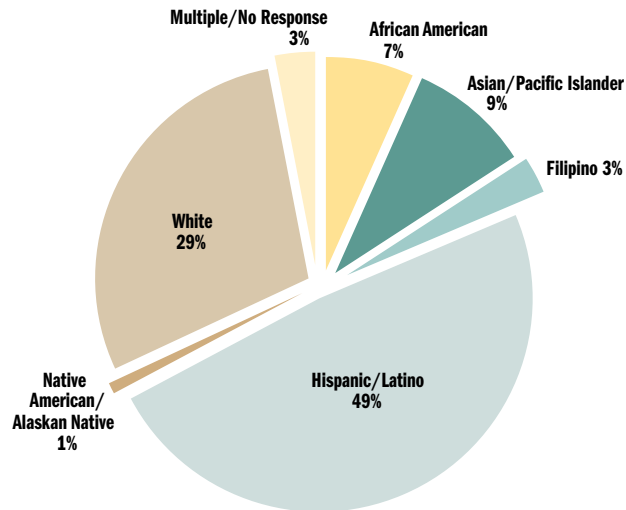
About one-quarter of California's students are classified as English learners, the highest proportion in the country.<sup>1</sup> More than 40% of kindergarten students enter school needing to learn English.

With slightly more than half of its students eligible for free or reduced-price meals, California also has one of the highest percentages of low-income students in the country. Florida, New York, and Texas all have proportionally fewer students eligible for the meals program, with the gap ranging from three to eight percentage points.

California reported that 10.8% of all students received Special Education services in 2007-08, compared with 13.4% nationally. California's relatively low figure has

**figure 1** | California's K-12 student population is diverse, though almost half of the state's students are Hispanic/Latino

**Racial/Ethnic Distribution of California's K-12 Public School Students, 2007-08**



Note: Percentages do not sum to 100% due to rounding.

DATA: CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

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remained fairly constant over many years, but opinions vary regarding what combination of policies and practices best explain the variation from national norms.<sup>2</sup>

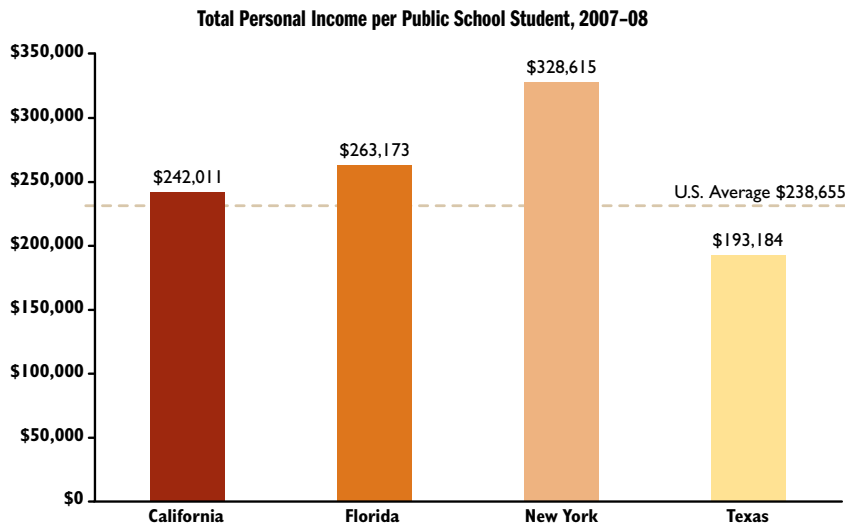
Like other states, California uses federal funds and a portion of its own funds to address the needs of students who have to learn English, live in low-income households, or qualify for Special Education services. However, as will be described later, school districts in California have, on a per-pupil basis, fewer total resources to draw from than their counterparts in many other states.

*In 2007-08, California had:*

- *the highest percentage of English learners in the country (25%), and*
- *a greater proportion of students eligible for free or reduced-price meals than Florida, New York, or Texas (slightly more than half).*

## California's effort to support K–12 schools financially does not quite match its capacity

**figure 2** | In 2007–08, California's capacity to fund K–12 schools was slightly above the U.S. average, but below Florida and New York



DATA: NATIONAL EDUCATION ASSOCIATION (NEA)

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### California's financial effort on behalf of K–12 education fell before Proposition 13 was passed in 1978

Many people assume that California's below-average effort on behalf of public education stems from the reduction of property taxes that Proposition 13 began in 1979. But the decline in the percent of personal income contributed to K–12 education began before that measure passed.

In 1972, Californians spent \$56 of every \$1,000 in personal income on public K–12 education. However, in that same year, policymakers in Sacramento placed a ceiling on the amount of tax money each district could receive per pupil. The establishment of "revenue limits" was in response to a looming settlement of the *Serrano v. Priest* court case, in which plaintiffs argued that the existing system of primarily locally funded school districts resulted in wealth-based disparities in funding. In an attempt to level up funding across districts, the state began providing greater increases to low-spending districts than to high-spending districts. In 1976, when the state Supreme Court ruled in the *Serrano* case that school districts' general purpose funding had to be roughly equalized, the state role in funding schools increased further, and local property taxes played a smaller part. Proposition 13 drove local contributions down even further by reducing property taxes dramatically and limiting local communities' ability to raise revenues for public services.

How much can and should California invest to appropriately educate its large and diverse student body? One way to answer that question is by comparing California's commitment to education spending with the nation as a whole and the handful of states that are most like it in size and economic and ethnic diversity. Commitment in this report is gauged by the combination of a state's *capacity* to fund education and its *effort* to do so.

### The state's capacity to fund K–12 education was slightly above the national average

A state's capacity to fund its schools can be measured by the total of its residents' personal income divided by the number of K–12 students. The National Education Association (NEA)—which represents teachers and educational support personnel—uses data from the Bureau of Economic Analysis to compute this information. California's capacity in 2007–08 was \$242,011 in personal income per student. This amount was \$3,356 more than the national average, giving California a rank of 20th. California's capacity has stayed close to the national average during the past decade.

Between 2008 and 2009, California saw a decline in personal income of 2.4%—the first year-to-year decrease in the post-World War II period. With personal income falling and student enrollment staying roughly constant, California's capacity has undoubtedly declined. Given the state's particularly high levels of unemployment, this decline in capacity has likely been more acute than in the nation as a whole.

*California ranked 20th in capacity—total personal income statewide divided by the number of K–12 students—in 2007–08.*

### Californians pay slightly more than the national average in state and local taxes

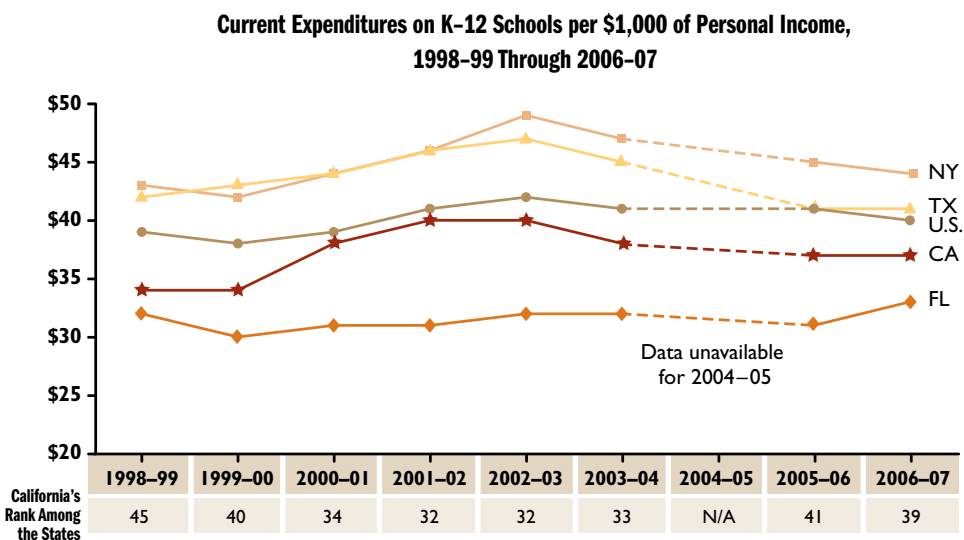
Education is one of several public services paid for through tax revenues. The level of effort toward education depends on both a state's willingness to tax itself to provide public services and on its priorities.

The amount of state and local tax revenue relative to personal income is a good indicator of a state's willingness to tax itself. From 1998–99 through 2006–07, California has been slightly above average in the amount of taxes it has collected relative to personal income. In 2006–07, Californians contributed a total of 11.4% of their personal income toward a variety of taxes, as compared with 11.0% in the country as a whole. That year, the Golden State ranked 14th, ahead of Texas and Florida but well below New York.

According to the Center for Continuing Study of the California Economy, this state's overall above-average tax rate results from a mixture of high and low taxes. For example, California has comparatively high rates for corporate income and sales taxes. The personal income tax is both high and low in that high earners pay a high rate while low earners pay a low rate. Part of the reason that Californians as a whole pay an above-average portion of their income in taxes occurs because this state has an above-average share of high-earning residents who pay substantial taxes on stock option and capital gains income.

On the low side are property taxes, which California voters constrained by passing Proposition 13 in 1978. That measure limits property taxes to 1% of assessed value, and it caps annual increases in assessed value at 2% or the percentage growth in the Consumer Price Index, whichever is less. Proposition 13 reduced property tax revenues by about 60% the year after it was passed, which solidified a shifting of primary responsibility for school

figure 3 | California spends a smaller portion of its residents' income on K–12 schools than the national average



DATA: NATIONAL EDUCATION ASSOCIATION (NEA)

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funding from local to state revenue sources. In 2006–07, the most recent year for which data are available from the National Center for Education Statistics (NCES), local property taxes comprised 21% of all K–12 education funding in California, compared with 40% to 45% in Florida, New York, and Texas.

### But the monetary effort that Californians put toward education is below average

The percentage of their personal incomes that Californians devote to K–12 schools is below average despite having slightly greater-than-average revenues to work with. Between 1998–99 and 2006–07, California never matched the national average on this measure of effort, ranking between 45th and 32nd. In 2006–07, California ranked 39th, spending \$37 of every \$1,000 in personal income on K–12 education. This amount was less than the national average of \$40, Texas's \$41, and New York's \$44. In contrast, Florida spent only \$33.

*This state ranked 14th in 2006–07 in the percent of income paid toward a variety of taxes, reflecting:*

- comparatively high corporate income and sales taxes;
- income tax rates that are comparatively high for high earners and low for low earners;
- relatively low property taxes.

### Another way to measure effort is to see how the state compares with the nation on education spending versus other public services

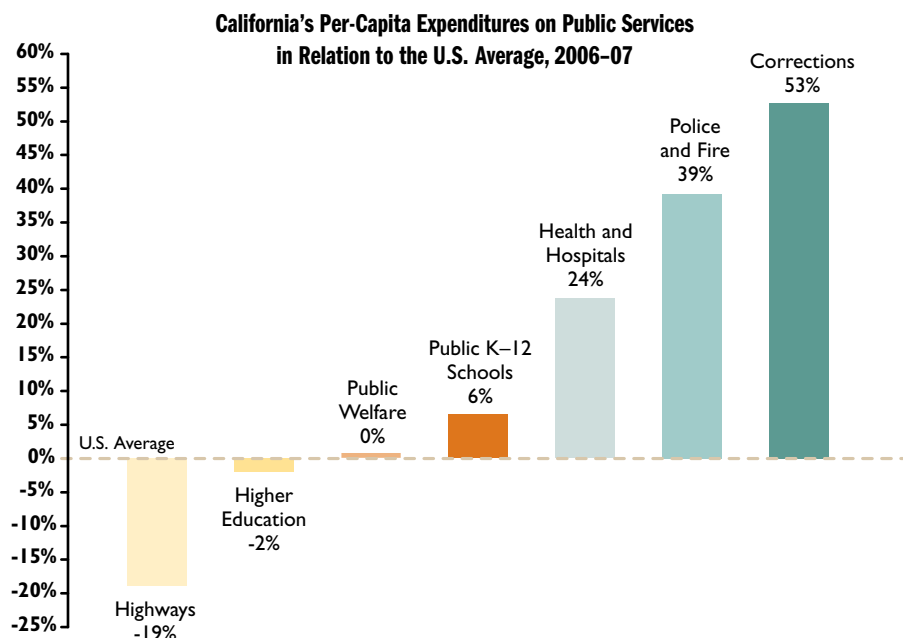
Californians pay more taxes than the national average, yet the state spends a smaller proportion of personal income on schools. So where do those tax dollars go? As Figure 4 shows, California spent—per capita—well above the national average on some other public services in 2006–07. Most notably, the state ranked third in spending on both corrections and police and fire protection. During the past 10 years, the percentages have varied, but the overall pattern has been similar. California’s spending on corrections, police and fire protection, and health and hospitals has consistently been well above the national average in each area; public welfare and higher education spending was close to the U.S. average, and highway expenditures were below average every year.

On a per-capita (or per-resident) basis, the state’s spending on K–12 education has been above the national average since 2001–02.

This may appear to contradict the data in Figure 3, but in fact it does not because Californians have relatively high incomes. Each Californian can spend a below-average portion of his/her income on schools, as shown in Figure 3, and still spend more than the average per person in the rest of the country, as shown in Figure 4.

The data also seem to, but in fact do not, contradict Figure 5 (on page 7), which shows per-pupil expenditures. The above-average per-capita expenditure for K–12 schools shown in Figure 4 does not translate into above-average expenditures per student because California has a higher proportion of children to adults than most states. In other words, even though California spends more than the national average per capita on K–12 schools, the spending is spread over proportionally more students than in other states.

**figure 4** | On a per-capita basis, and compared with national averages, California spends more on some other public services than on education



DATA: NATIONAL EDUCATION ASSOCIATION (NEA)

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## California's per-pupil expenditure lags the national average, and the gap grows if the cost of labor is considered

Although the portion of personal income devoted to schools gives some indication of how much importance a state assigns to education, it does not show how much money is actually spent. For example, a wealthy state could provide a small *percentage* of income to education and yet its schools could still have a substantial *amount* to spend on students. However, if that same state had a relatively high percentage of young people, that substantial sum would be spread more thinly among its students. The average amount spent per pupil takes these differences into account and thus is the most commonly used proxy for comparing the resources each state devotes to educating young people.

### In 2007–08, California's per-pupil spending—without regional cost-of-labor adjustments—ranked 28th

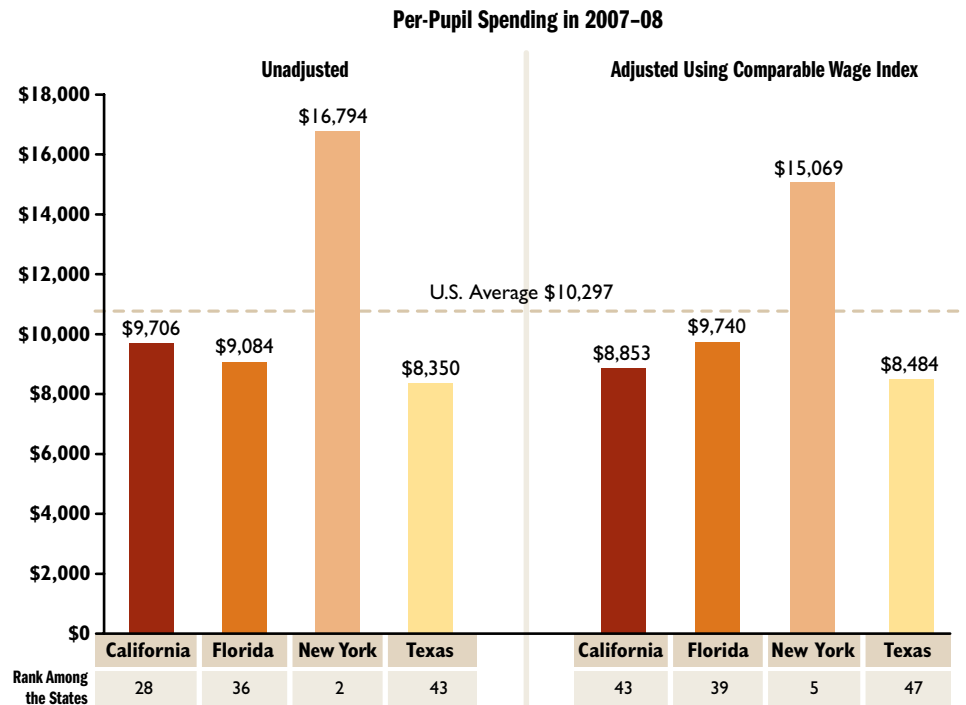
The average expenditure per pupil is an important indicator of a state's commitment to K–12 education, but it does not reflect the substantial variation in the cost of staffing and operating schools across the country. Expenditures can be reported with and without adjustments for that variation—in particular for labor costs.

California's unadjusted per-pupil expenditure has been below the national average for at least the past decade. In 1998–99, the state's spending was 89% of the average, and its rank was 33rd. The closest that California has come to the national average in recent years was in 2001–02, toward the end of the dot-com bubble. That year, the state's per-pupil expenditure was 96% of the national average, and its rank was 25th.

The left side of Figure 5 displays unadjusted expenditures for 2007–08. California spent \$9,706 per pupil (94% of the national average), which earned the state a rank of 28th. This expenditure was:

- \$7,268 less than New York, which ranked second. (New Jersey was first with \$17,620.)
- \$591 less than the national average.
- \$622 more than Florida, which ranked 36th.
- \$1,356 more than Texas, which ranked 43rd. (Utah ranked last with \$5,978.)

**figure 5** | When regional cost-of-labor differences are accounted for, California's per-pupil expenditure is even further below the national average, and its ranking drops dramatically



DATA: NATIONAL CENTER FOR EDUCATION STATISTICS (NCES) AND PROFESSOR LORI TAYLOR, TEXAS A&M UNIVERSITY

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Since 1999–2000, the relative placement of these states' per-pupil expenditures has been consistent, except that Texas outspent Florida until 2005–06.

### The adjusted ranking is 43rd

When the figures for 2007–08 are adjusted based on the average salary costs in each state, the rankings change, especially for California. Professor Lori Taylor of Texas A&M University has developed a Comparable Wage Index (CWI) to take regional salary variation into account. (*Education Week* uses the CWI in its annual "Quality Counts" publication.) That index compares the wages of college-educated, full-time workers in noneducation fields in each state. The CWI is used to measure variation in salary costs and assumes that school districts' personnel costs are affected commensurately. According to the Ed-Data Partnership website, for which the CDE provides data based on district reporting,

80% of districts' spending is for labor costs. In 2007–08, certificated and classified staff salaries made up 65% of districts' expenditures, with employee benefits comprising an additional 15%. The fact that salary costs comprise a large portion of expenditures makes the CWI a reasonable, albeit imperfect, way to account for cost differences among states.

Using state-level CWI data, EdSource has computed adjusted 2007–08 per-pupil expenditures and corresponding rankings for California and the three other large states. With those adjustments, California's per-pupil expenditure of \$9,706 falls to \$8,853, and its ranking of 28th falls to 43rd.<sup>3</sup> The rankings of the other three large states also fall, but by only three or four places. In the adjusted rankings, Vermont placed first with an adjusted per-pupil expenditure of \$16,892, but Utah remained in last place with an adjusted figure of \$6,523.

### ***This state's high cost of labor and modest per-pupil expenditures lead to fewer adults in California schools***

The cost of labor plays an important role in staffing levels. California's high cost of labor means that school districts must pay teachers and other educators relatively high salaries compared with those in other states. California has consistently ranked at or near the top in average teacher salary. For example, California ranked first in 2007–08 with an average salary of \$65,808, according to NEA. New York was a close second with an average of \$65,491, just \$317 less. The national average was \$52,800. Of course, California teachers' salaries do not go as far as the same pay would in other states. When California's average teacher salary is adjusted using the Comparable Wage Index discussed on page 7, it falls to \$60,020, somewhat closer to the national average.

Average salaries for other certified education employees such as principals, counselors, and district administrators are not as readily available for comparisons. However, it is reasonable to assume that they would follow generally similar patterns.

This state's relatively high salaries combined with below average per-pupil spending translate into staff-to-pupil ratios that are among the worst in the nation. (See Figure 6.) California school and district employees are responsible for more students than their counterparts in other states. During the past decade, California has consistently ranked among the bottom three states in total staffing ratios, according to data from NCEs. In some employee categories, California is especially poorly staffed. For example, this state's high schools have about half as many teachers on a per-pupil basis. And a California school district with 10,000 students would typically have five district officials/administrators and two librarians, while the average same-sized district in the nation as a whole would have 12 officials/administrators and 11 librarians.

**figure 6 | California's staffing ratios ranked at or near the bottom in nearly every category in 2007–08**

| Ratio of Staff to 1,000 Pupils by Position, Fall 2007–08 | California Rank in U.S. | U.S. Ratio | California Ratio | Percent of U.S. Ratio |
|--|-------------------------|------------|------------------|-----------------------|
| Total staff to students                                  | 49                      | 128.1      | 93.2             | 73%                   |
| All professional (certified) staff to students           | 50                      | 72.1       | 52.3             | 73%                   |
| Total district staff (including classified staff)        | 37                      | 6.4        | 5.3              | 83%                   |
| District officials/administrators only                   | 47                      | 1.2        | 0.5              | 40%                   |
| Total school staff (including classified staff)          | 50                      | 96.5       | 71.0             | 74%                   |
| Certified school staff only                              | 50                      | 70.9       | 51.9             | 73%                   |
| School principals & assistant principals                 | 48                      | 3.2        | 2.3              | 72%                   |
| Guidance counselors                                      | 50                      | 2.1        | 1.2              | 58%                   |
| Librarians   | 51                      | 1.1        | 0.2              | 18%                   |
| All teachers   | 50                      | 64.5*      | 48.1*            | 75%                   |
| Elementary teachers (grades 1–8)                         | 33                      | 49.8       | 48.4             | 97%                   |
| Secondary teachers (grades 9–12)                         | 51                      | 83.9       | 42.8             | 51%                   |

\*These numbers translate into a student/teacher ratio of 20.8 students to 1 teacher for California and 15.5 to 1 for the entire United States. Only Utah has a higher student/teacher ratio than California.

Notes: The numbers in this table are based on fall enrollment data and include pre-K public school students and their teachers. NCEs estimated that there were 68,002 pre-K students and 4,110 pre-K teachers in California in 2007–08. If the pre-K students and teachers are not included, California's student/teacher ratio is still 20.8.

The District of Columbia is included among the states.

The "Total staff" row includes all district and school staff plus those who fall under the NCEs category "All Other Support Staff."

NATIONAL CENTER FOR EDUCATION STATISTICS (NCEs) COMMON CORE OF DATA, 2007–08; ACCESSED 12/1/09.

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Only in the category of elementary school teachers did California achieve a roughly middle-of-the-pack ranking in 2007–08. Although staffing data on 2008–09 and 2009–10 are not yet available, California's ranking for elementary school teachers will likely fall. Beginning in 2008–09, the state substantially relaxed the financial penalty for not maintaining a 20-to-1 pupil-teacher ratio in K–3 classes. With state incentive funding not covering the entire cost of maintaining that ratio, many districts have decided to let class size in the early grades increase. The extent to which California's ranking for elementary teachers will fall depends on the degree to which other states are also allowing class sizes to grow in response to their own fiscal troubles.

- ***At \$65,808, California's average teacher salary was the highest in the nation in 2007–08.***
- ***Adjusted for labor costs (using the Comparable Wage Index), California's average teacher salary falls to \$60,020, somewhat closer to average, but still second highest.***
- ***California ranked 50th in the ratio of teachers to students.***



## California school districts' spending priorities resemble those of districts in other large states

How school districts spend their funds receives nearly as much attention as the amount they spend. Unfortunately, however, the public does not always receive accurate information about what school agencies spend their money on. For example, some critics of education spending do not acknowledge all the factors that go into the schooling enterprise. To operate effectively, districts must pay for more than just teachers' salaries and benefits, textbooks, desks, and lab equipment. In addition to these classroom basics, schools need counselors, librarians, clerical staff, custodians,

and principals if students are going to have a supportive, safe, disciplined environment in which to learn. Beyond those costs are facilities maintenance, energy bills, student transportation, and food service. Further, school districts' central offices fulfill important governance, administrative, and instructional functions.

Throughout the country, school districts spend their funds in relatively similar ways. About two-thirds of spending is related to instruction—mostly salaries and benefits for teachers and instructional aides, but other items as well. California spends a little

more than the national average on instruction—67% versus 65.8%.<sup>4</sup>

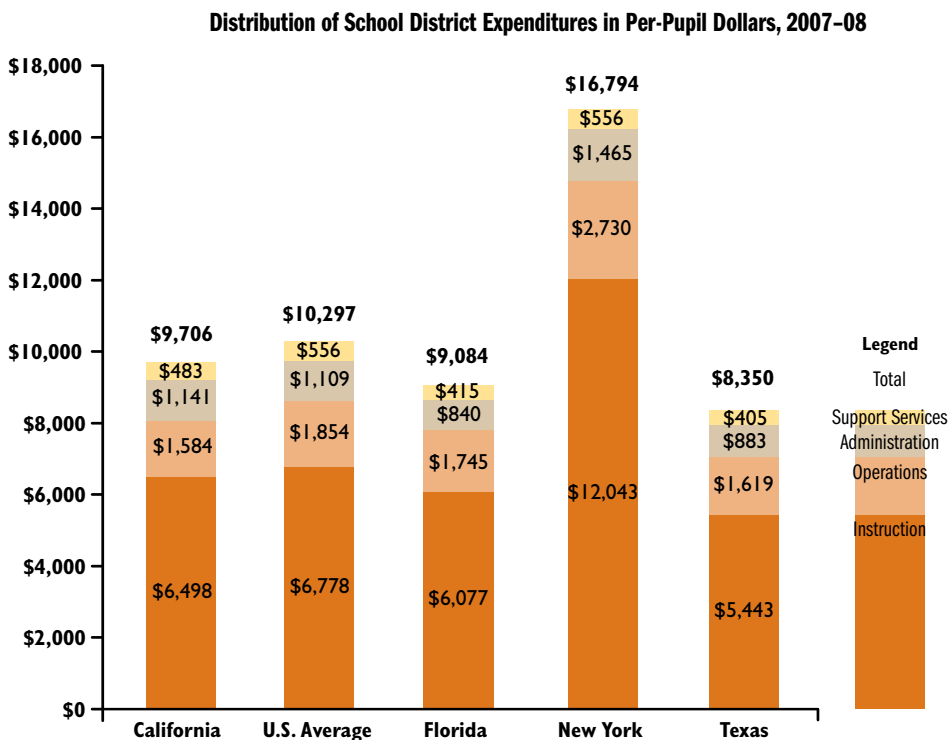
The next-largest expenditure is on operations—for example, keeping the physical structure habitable and in good repair, as well as food services, student transportation, and other activities. Here, California falls below the national average. In particular, student transportation makes up a smaller portion of expenditures in California than in any other state.

Next comes the cost of administration. Salaries and benefits of employees comprise the vast majority of these costs. With 11.8% of California's expenditures going toward administration, this state spends a larger proportion than the national average, which is 10.8%. This difference of one percentage point is relatively minor, particularly when viewed in terms of expenditures per pupil. Figure 7 shows that, on a per-pupil basis, California districts spend \$1,141 on administration, while districts across the country spend an average of \$1,109.

A breakdown of the spending categories included under administration indicates that California spends less than average on district administration (0.9% in California vs. 2.0% for the nation as a whole), but more than average on school administration (6.6% vs. 5.6%) and on other support services (4.2% vs. 3.2%). How spending on those latter two items can be higher than average when staffing ratios are substantially less than average is unclear. Personnel working in those categories may be paid relatively well in California, but the difference in pay between this state and the rest of the country is probably not great enough to explain the difference. Variations in how states categorize certain functions may also provide some of the explanation.

In addition, states spend a small portion of their budgets on student support services, such as counseling, health, and speech pathology services. In this category, California falls slightly below the national average.

**figure 7** | As in other states, school districts in California spend the bulk of their funds on instruction and a small portion on administration



**Student support services (5% of California's spending in 2007–08)** includes attendance, counseling, health, speech pathology, and other services.

**Administration (11.8% in California)** includes district and school administration and other support services.

**Operations (16.3% in California)** includes maintenance, student transportation, food services, and enterprise activities.

**Instruction and instruction-related spending (67% in California)** includes classroom instruction (e.g., teachers and teaching assistants), libraries, in-service teacher training, curriculum development, student assessment, and instruction technology.

Note: For each state, the sum of the components may not equal the total indicated because of rounding.

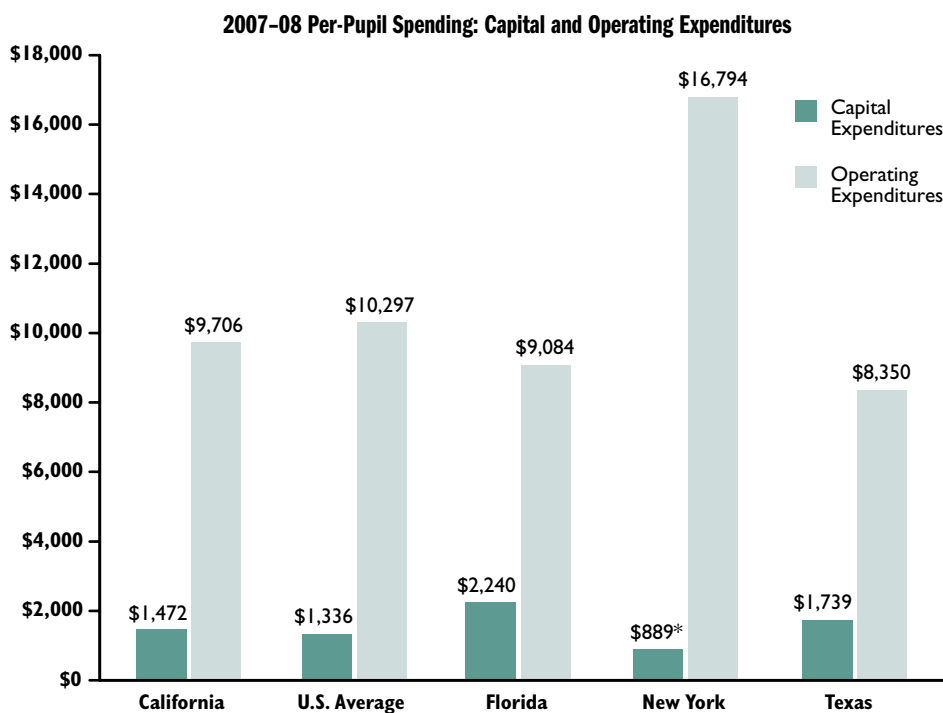
### Some say that per-pupil expenditures should reflect spending on school facilities

Some analysts believe that capital outlay—spending on school facilities construction and modernization—should be included in total education expenditures. They say that if, for example, a state must build schools to accommodate a growing student body, such spending should be considered an education expenditure. Others point to the cyclical

nature of these expenditures to justify their exclusion.

As previously stated, the per-pupil expenditure data in this report focus on operating expenses. However, capital outlay figures are provided in Figure 8 to give a sense of how spending on facilities related to spending on operations in 2007–08.

**figure 8** | In 2007–08, California spent more per pupil on facilities construction and modernization than the country as a whole, but less than Florida and Texas



\* The U.S. Census Bureau reports a much higher capital outlay figure for New York, yielding a per-pupil expenditure of \$1,762.

DATA: NATIONAL CENTER FOR EDUCATION STATISTICS (NCES)

EDSOURCE 9/10


## Can California's investment in public K–12 education support continuing academic progress?

California's K–12 education system plays a vital role in this state's stability and prosperity, but the level of investment in that system depends partly on Californians' collective financial capacity and the value they place on education relative to other governmental services.

California is above average in capacity but below average in effort. Additionally, this state spends less on K–12 education than on many other public services, relative to the national average in each area. Given California's relatively large proportion of students and high cost of labor, this state's education expenditures yield staff-to-student levels that are at or near the bottom in nationwide rankings.

And those rankings do not reflect California's recent, large cuts in K–12 education spending. In 2007–08, California's funding of K–12 education from state General Fund, local property taxes, and ongoing federal programs totaled \$56.8 billion. Two years later, that figure totaled \$51.7 billion. Districts could tap into \$2.3 billion in temporary federal stimulus funds and draw down their own reserves to try to fill the gap and meet

ever-escalating academic performance targets, but many districts have had to reduce programs and lay off staff despite those relief measures. To prevent further education personnel cuts, the federal government is providing additional temporary funding through the August 2010 "edujobs" bill, from which California can expect to receive about \$1.2 billion. After all of these temporary, limited funds are spent, California's local school agencies could see their expenditures drop substantially during the next few years. Only if the recovery from the "Great Recession" quickens considerably will school districts have a chance of maintaining their current spending and staffing levels.

And yet California's schools continue working to address the multifaceted needs of more than six million students and prepare them for the increasing demands of the global economy. As evidenced by scores on the California Standards Tests, student achievement has continually improved during the past eight years, but regular citizens and policymakers must confront the question of how to sustain those improvements as school resources dwindle. 

### To Learn More

EdSource's website provides an explanation of California's school finance system.

[www.edsources.org/school-finance.html](http://www.edsources.org/school-finance.html)

Information on student demographics, expenditures, and staffing ratios for individual school districts in California over time can be found on the Ed-Data website. [www.ed-data.org](http://www.ed-data.org)

NCES has several collections of fiscal and nonfiscal data on the Internet and in bound volumes. One particularly useful feature on the web is the Build a Table tool that allows users to access multiyear *Common Core of Data* information. [nces.ed.gov/ccd/bat](http://nces.ed.gov/ccd/bat)

National Education Association provides a wealth of state rankings data in its annual publication, *Rankings and Estimates*. [www.nea.org](http://www.nea.org)

EdSource's 2008 report, *How California Compares*, includes student achievement data and more detail about student demographics, along with school funding data. [www.edsources.org/pub\\_cat.html](http://www.edsources.org/pub_cat.html)

*Education Week* publishes an annual "Quality Counts" report that covers national education issues such as test performance, teaching quality, and school finance and how individual states compare on them. [www.edweek.org/ew/qc/index.html](http://www.edweek.org/ew/qc/index.html)

## ENDNOTES

<sup>1</sup> English learner status is based on the results of a test of English proficiency, the California Standards Test in English language arts, and teacher and parent evaluations.

<sup>2</sup> California's particularly low level of Special Education identification has drawn research attention. The state uses a census-based approach to funding Special Education in contrast to an approach that bases funding on the number of students identified. Researchers disagree regarding the extent to which this approach per se explains California's low identification rate. California's identification rate has historically been below the national average. And even before the advent of census-based funding, allocations of Special Education funds in the state had largely been disassociated with the number of students identified for service due to a prior freeze on state funding that paid for new Special Education staff (expressed as "Special Education funding units").

<sup>3</sup> The CWI data come from *Washington Wages: An Analysis of Educator and Comparable Non-educator Wages in the State of Washington* (research files). Professor Lori Taylor, Texas A&M University. November 2008. Professor Taylor has computed an index of the wages of college-educated, full-time employees in noneducation fields in every state and the nation as a whole. In 2007, the index for California was 1.4860, and the index for the nation was 1.3553. One can translate those indexes to mean that California employers needed \$10,964 to match the purchasing power of \$10,000 in the nation as a whole ( $1.4860 \div 1.3553 = 1.0964$ ). To adjust California's 2007-08 per-pupil expenditure, EdSource staff multiplied the nominal figure of \$9,706 by the quotient of the 2007 National CWI  $\div$  California's 2007 CWI or  $1.3553 \div 1.4860$  and arrived at \$8,853. (Mathematically, the computation is expressed as follows:  $\$9,706 \times [1.3553 \div 1.4860] = \$8,853$ .) EdSource computed adjusted expenditures for the other states similarly using each state's index.

<sup>4</sup> Teachers and instructional aides constitute a subset of all certificated and classified staff. Thus, there is no inconsistency between the statement on page 9 that instruction and instruction-related costs—mostly salaries and benefits for teachers and instructional aides—account for about two-thirds of education expenditures in California, and the statement on page 7 that the salaries and benefits of *all* certificated and classified staff make up 80% of expenditures.



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