



California's Fiscal Crisis: What does it mean for schools?

Early in 2011, Superintendent of Public Instruction Tom Torlakson declared “a financial emergency” for California public schools. He noted that three years of cuts to education had resulted in nearly 2 million students—roughly 30% of pupils in California—attending a school in a district facing “serious financial jeopardy.”

The state currently has a multibillion-dollar budget deficit. To balance the budget, California policymakers could raise more revenue and/or cut funding. If deep cuts are made to K–12 schools, they could cripple some districts’ ability to function and would likely curtail meaningful efforts at educational improvement throughout the state.

What is the connection between the state budget and public school funding?

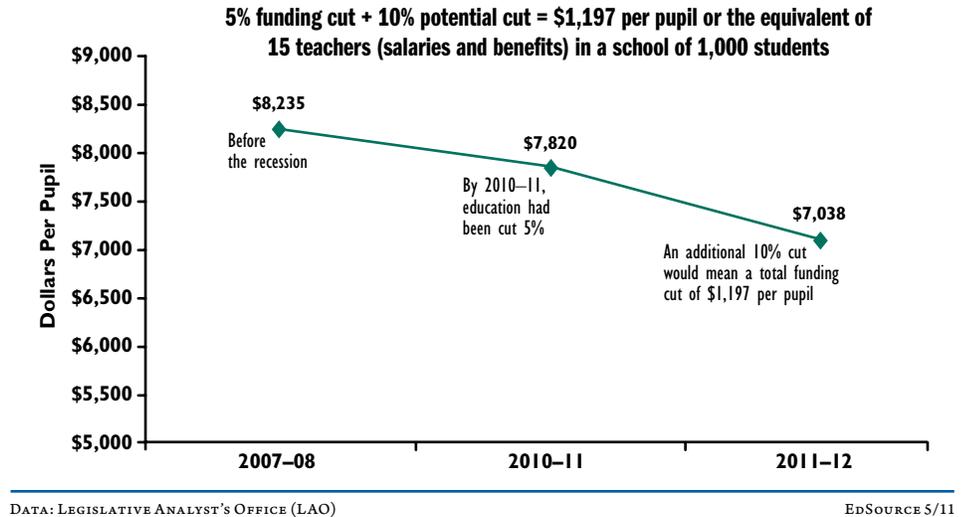
In 2010–11, policymakers allocated more than 40% of the state’s General Fund to K–12 schools to support California’s vast school system, which includes 6.2 million students, 300,000 teachers, and almost 10,000 schools.

Because education takes up such a big share of the General Fund, funding for public schools may need to be cut—some estimate by as much as 10%—if the state decides to close its deficit with cuts alone.

How big is the deficit?

By January 2011, it was clear that California was spending about \$8 billion more than it had received in 2010–11, and budget analysts predicted that the state would be short another \$17 billion in 2011–12. Together, those added up to a \$25 billion budget shortfall if cuts weren’t made or revenue increased.

In March, Gov. Jerry Brown and the Legislature agreed on about \$8 billion in cuts,



mostly to health and social services, plus \$3 billion in other reductions. And some budget analysts say that higher-than-expected income tax revenues in 2011 could further reduce the deficit. That said, the remaining deficit will still be large.

The governor wants to make up the difference by extending some taxes that Californians have been paying since 2009 but that will soon expire. To date, he has been unable to get the two-thirds approval from the Legislature needed to put those taxes on the ballot for voters to decide. The Legislature could also extend those taxes with a two-thirds vote and the governor’s approval without going to voters.

How much have schools already been cut?

Although schools did not bear the brunt of the budget cuts passed in March, per-pupil spending was reduced by 5% between 2007–08 and 2010–11, according to the non-partisan Legislative Analyst’s Office (LAO). The drop-off has been particularly steep this school year.

The 10% potential cut in education funding mentioned earlier would be in addition to the 5% already cut. To translate that into per-pupil funding, see the figure above.

How did California compare with other states in terms of education funding and salaries before the economic crisis?

California has lagged behind the national average expenditure per pupil for years. In 2007–08, before the crisis hit, California ranked 43rd in the nation in its per-pupil spending. This ranking is based on data collected by the National Center for Education Statistics (NCES) that are adjusted for salary costs of college-educated workers in this state. The salary costs often are considered in education rankings because a substantial portion of a school district’s budget is spent on personnel.

Meanwhile, average teacher salaries in California were the highest in the country in 2007–08, likely reflecting both the state’s high cost of living and generally higher educational requirements for its public school teachers.

In what way do lower per-pupil expenditures affect staffing in California's schools?

The state's modest per-pupil expenditures combined with high labor costs result in schools not being able to hire as many teachers, administrators, and other staff.

California ranks 49th in the nation in its overall ratio of staff to students, according to NCES data for fall 2008. Compared with the U.S. average, California has about half as many school district administrators, guidance counselors, and high school teachers per 1,000 students. The state ranks last in the number of school librarians per pupil.

How much money does K-12 education receive, and where does it go?

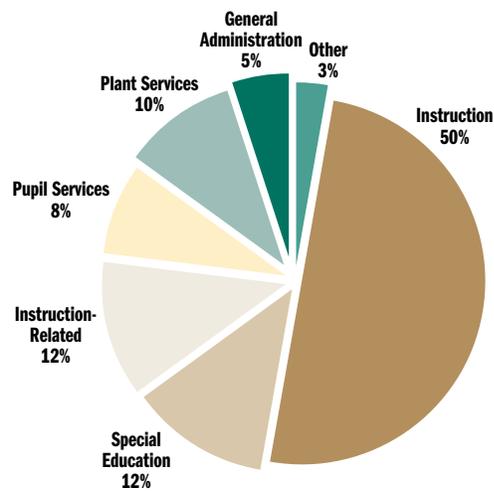
In the 2010-11 school year, California's K-12 public education system is estimated to have revenues totaling \$64.5 billion from all sources—federal, state, and local. Of that, \$56.7 billion is allocated to school districts, charter schools, and county offices of education.

The remaining \$7.8 billion goes to state bond repayments for building and modernizing schools, the teacher retirement system, and state agencies such as the California Department of Education (CDE) and the Commission on Teacher Credentialing (CTC), which help run the K-12 system. The portion of total education spending going to the CTC (which is funded by fees) and the CDE is a fraction of 1%.

How do school districts spend their funds?

California's school districts vary tremendously in terms of size, grades served, and student needs. That said, the average district spends about three-quarters of its money on instruction and instruction-related expenses for both general and Special Education students. Another 8% is spent on pupil services, which include guidance and counseling, psychological services, health services, and transportation. Only 5% is spent on general administration, which includes all district office and school board operations, such as legal costs and payroll and data systems. (See the pie chart above.)

District-Reported Expenditures for 2009-10



DATA: EDUCATION DATA PARTNERSHIP, WWW.ED-DATA.ORG

EDSOURCE 5/11

What has been the impact of budget cuts on K-12 schools during the past few years?

Because school districts are so labor-intensive, many have responded to budget cuts by laying off teachers and other staff and increasing class sizes. Some districts have also consolidated schools and programs and shortened the school year through the use of furlough days. The range of budget cuts varies widely depending on local circumstances.

Some districts have weathered the cuts better than others, often because they have increasing enrollment. When districts are growing, they receive more state funds. When enrollment is falling, the state, after one year, pays districts less even though fixed costs—such as heating and maintenance—do not automatically go down. In California, about two-thirds of the counties are experiencing decreasing enrollment.

One or more of the following conditions can also help districts make ends meet:

- Outside support, such as from a city, foundations, high local property taxes, or parents.
- Deep financial reserves at the beginning of the budget reductions.
- Ability to negotiate pay decreases or pay freezes for staff.
- Ability to reduce costs through consolidating systems, investing in alternative energy, and implementing other efficiencies.

- Continuous cutting. Some districts have been making substantial reductions during the past few years so this year's cuts are less extreme.
- Delaying the use of some federal stimulus funds until the September 2011 deadline, thus having stimulus dollars for 2011-12.

If state cuts continue, what will districts do?

California law severely limits local school districts' ability to increase their revenues. Districts can augment state-provided funding in just a few ways, most notably private donations and parcel taxes (which require two-thirds voter approval).

If state cutbacks continue, the vast majority of districts will have to take more drastic measures, such as laying off more teachers and significantly increasing class sizes; closing schools; shortening the school year; or further cutting administrators and support staff, such as counselors, nurses, and librarians. [11]

To Learn More

- For more information about school finance in California, go to EdSource's website: www.edsource.org/school-finance.html
- To get financial information about specific school districts, visit the Ed-Data website: www.ed-data.org