



# CALIFORNIA

## Description of the Formula

California has a complex school finance system that is almost entirely state controlled. The bulk of K-12 public school funding comes from general purpose entitlements (often referred to as “revenue limit” funding). The basic formula is a per pupil in average daily attendance (ADA) amount multiplied by the actual ADA of the entity to create an entitlement for the district, county office of education, or charter school. There are some additional adjustments to the entitlement for districts and county offices of education. Once the full entitlement is determined, local property taxes allocated to the entity are applied towards it. If an entity’s local property taxes are less than the entitlement, the state adds additional funds to guarantee the entitlement.

The per-ADA amounts for districts and county offices of education are based on historical funding levels for individual entities established in the late 1970s, adjusted for cost-of-living increases, periodic funding to reduce inequities amongst districts of similar size and type, and changes in the definition of ADA.

In addition to the general purpose funding described above, California provides additional special purpose funding for public schools through a number of “categorical” programs designed to target specific needs or state goals. Additional information on California’s school finance system is available on the internet at <http://californiaschoolfinance.org>, a site developed by the non-profit organization, EdSource.

## District Based Components

### Density/Sparsity of Small Schools

For small school districts, California provides an optional alternative general purpose funding entitlement for necessary small schools. For an elementary school district that consists of a single school with less than 97 ADA and for each qualifying necessary small elementary school in a school district with less than 2,501 ADA, necessary small-school amounts are computed on the basis of either the school’s ADA or the number of full-time teachers, whichever provides the lesser amount. For a high school district that consists of

a single school or a single high school maintained by a unified school district with less than 287 ADA and for each qualifying necessary small high school in a district with less than 2,501 ADA, necessary small-school amounts are computed on the basis of either the school's ADA or the number of full-time-equivalent (FTE) certificated employees providing services in grades nine through 12, whichever provides the lesser amount. If the ADA is under 20 and the number of FTE certificated employees is less than four, however, the amount is computed on the number of FTE certificated employees.

### **Grade Level Differences**

Currently, most general-purpose funding for public schools recognizes differences in district type (elementary, unified, high school rather than grade level served). As such, cost-of-living adjustments and equity funding is allocated based on such district type (and, in the case of equity, size differences). One exception is general-purpose funding for charter schools funded through a block grant formula, rather than district or county office revenue limit formulas. General-purpose funding for these charter schools is allocated based on "grade-group" formulas (K-3, 4-6, 7-8, and 9-12 with different amounts per ADA for each grade group).

### **Declining Enrollment or Growth**

School district general purpose funding is computed using the greater of current or prior year ADA, thus providing a one year hold-harmless on declining enrollment for a district's general purpose funding. Funding for categorical programs usually does not provide a declining enrollment adjustment. ADA growth is fully funded for general purpose entitlements. ADA growth may or may not be funded in categorical programs, depending on individual program calculations and state funding provided.

### **Capital Outlay and/or Debt Service**

California has a statewide school building program supported by statewide bond measures. Statewide bond measures require a simple majority (50% plus one) to pass. Local school districts can also issue school construction bonds and levy property taxes to pay for them, provided they get voter approval. In November 2000 California voters passed Proposition 39, which allows school bonds to be approved with a 55% "super-majority" (with restrictions on the amount of the bond and greater accountability requirements). Since the passage of Proposition 39, districts have had the choice of whether to seek two-thirds or 55% approval. Local elections that rely on 55% approval have been more successful, with more than 80% passing.

School districts also have the authority to levy developer fees on residential and commercial construction or reconstruction, but statewide these fees generate significantly less money than bonds. The money may be used only for school facilities, including portable classrooms. These fees are charged both to developers of new properties and to property owners who remodel.

Current estimates are that from 2006-07 through 2011-12 California school districts would need more than \$6 billion in state matching funds to build 18,000 new classrooms. Another \$5.3 billion will be needed to modernize more than 61,000 classrooms that are

25 years or older. State bond measures passed in 2004 and 2005 have provided almost \$10 billion in funding for public school facilities projects designed to meet K–12 school facility needs through 2008-09.

### **Transportation**

California provides about \$600 million in funding to partially reimburse school districts for home-to-school and special education transportation expenditures. Funding is based on a reimbursement of actual prior-year expenditures and is limited to historical participation rates and levels, adjusted for optional increases provided by the state.

## **Student-Based Components**

### **Special Education**

California provides \$2.9 billion in state funding for special education programs for individuals with exceptional needs. The special education funding model apportions state aid to local educational agencies (LEAs based on their ADA; the per-ADA funding rates are recomputed annually). The funding model is based on the assumption that, over reasonably large geographic areas, the incidence of disabilities is relatively uniformly distributed. The model also provides funding adjustments to compensate for those areas in which there are concentrations of special education students with high-cost, low-incidence disabilities. Funding for special education may be apportioned directly to an LEA or to the administrative unit of the special education local plan area (SELPA with which it is affiliated). Entitlements are calculated by multiplying the SELPA's base funding rate by the prior-year funded K–12 ADA for each school district, county office of education, and charter school in the SELPA). Funding is adjusted for changes in ADA.

### **Compensatory Education**

Economic Impact Aid (EIA) is a state categorical program that provides supplemental funds, kindergarten through grade twelve, to support: 1) additional programs and services for English learners (ELs) and 2) compensatory education services for educationally disadvantaged students. Funding is allocated based on a district per pupil rate times the sum of: 1 Prior year English Learner count, 2 Current year Title I Formula child count, and 3 Weighted Concentration Factor.

### **English Language Learner/Bilingual Education**

California does not provide funding specifically for bilingual education, but does provide over \$50 million for instructional support and coordination of services for students enrolled in grades four through eight and identified as English learners. In addition, districts may use compensatory education funding (see above to address needs of English learners).

### **Gifted and Talented Education**

California provides about \$46 million for gifted and talented education programs. Funding is based on prior-year ADA. Local educational agencies with less than 1,500 ADA receive \$2,500 or not less than the amount received in 1998-99. No district receives less per ADA than the amount received in 1999-00.

## **Revenue and Expenditure Information**

### **State Mandates Restricting Revenue or Expenditure Increases**

The California Constitution limits ad valorem property tax rates to no more than 1% of full cash value at the time of purchase. Increases in assessed value per year are capped at 2% or the percentage growth in the Consumer Price Index (CPI), whichever is less. The California Constitution does allow school districts to collect special taxes (non ad valorem if two-thirds of the electorate in the district approves). The Constitution also limits annual expenditure increases for both the state and local agencies; however, public school districts may exceed their limit by shifting limit capacity from the state to the district.

### **Property Assessment Ratios Used/Legal Standards for Property Assessment**

The constitution limits the maximum amount of an ad valorem tax on real property to 1% of full cash value in 1975, or at the time of purchase if purchased after 1975. Assessed values may be annually increased by the lesser of 2% or the change in the CPI, adjusted for decline in actual value. Only when property changes ownership or there is new construction, is the assessment brought up to current market values.

### **Measure of Local Ability to Support Schools**

Statutorily prescribed share of 1% countywide property tax.

### **School District Budget and Tax Rate Procedures/Sources of Local Revenue**

All school districts are fiscally independent in that they have taxing authority, within constitutional limits, and the ability to develop budgets. The total property tax levy is limited constitutionally and its allocation prescribed statutorily. Districts can levy special taxes for specific purposes with a two-thirds majority vote. Such taxes may not preempt state taxes (e.g., sales, personal income, etc.). Voter approval is not required for the general operating budget. Local revenues are derived almost exclusively from the countywide property tax.

### **State Support for Nonpublic Schools**

The California constitution prohibits state funding of sectarian or denominational schools or schools not under the exclusive control of officers of the public schools. Limited funding is provided for special education students placed in non-public, non-sectarian schools.