

How California Ranks: The state's expenditures for K–12 education

California's national ranking on expenditures for public schools slipped from 27th in 2000–01 to an *estimated* 35th in 2001–02, based on the National Education Association's (NEA) *Rankings and Estimates*. This, however, is a considerable increase from the lowest ranking of 41st in 1996–97.

Thanks primarily to state funding increases in 1999 and 2000, California's teachers are now estimated to be the

highest paid in the nation, on average. But the state also has the third highest number of students per teacher despite smaller kindergarten through third grade classes. And the cost of living remains higher than the national average.

This report compares California's total K–12 expenditures to those of the nine other most populous states and to the national average among the 50 states and the District of Columbia. For purposes of comparability, all the information is from the NEA report—*Rankings of the States 2002 and Estimates of School Statistics 2003*—released in May 2003.

The California numbers for 2001–02 reflect estimated data from Gov. Gray Davis' proposed budget submitted in January 2003. When the NEA figures are updated with actual data from 2001–02, they will include deferrals and cuts to the 2001–02 state budget made after it was enacted. As a result, California's comparative position could decline. Further, subsequent deferrals and additional cuts in future years are likely to slow California's progress toward the national average—unless the budget deficits in many other states also affect their education spending.

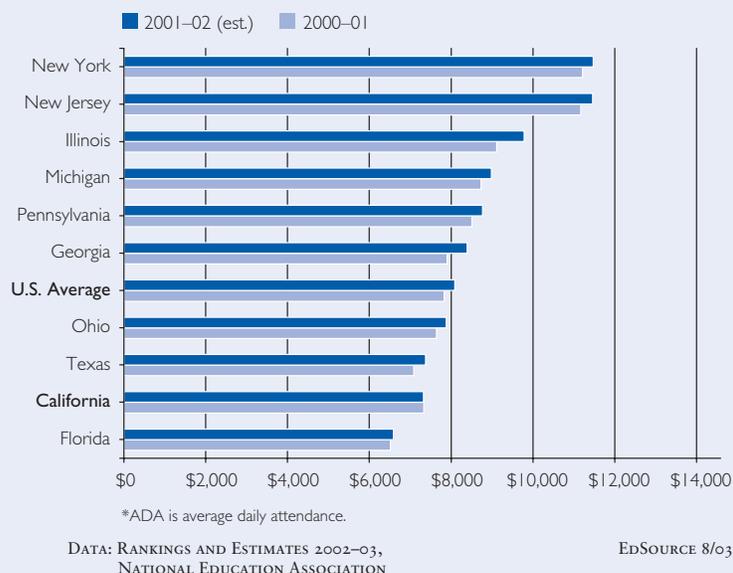
California remains below the national average in spending per student

Fueled by a healthy economy and concerns about school performance, California's investment in K–12 education began to grow in the mid-1990s. Over the next six years, the state's investment—as measured by expenditures per student (based on average daily attendance)—increased 49% compared to 32% for the U.S. average. California was spending \$4,924 per student in 1995–96. That figure grew to \$7,324 in 2001–02, while the U.S. average rose from \$6,133 to \$8,087 during the same period. (These figures are not adjusted for inflation or regional cost-of-living differences.)

As Figure 1 shows, California ranks just above Florida among the 10 most populous states. California is still far behind the leader, New York, which spent \$11,472 per student.

In 2001–02 California spent \$763 less than the U.S. average of \$8,087, or about 91% of the national average.

figure 1 California's education expenditure per pupil (ADA)* ranks next to last among the 10 most populous states



Estimates and revisions, NEA-style

The process of compiling the NEA annual report is a complicated one. It involves estimates, revisions of data from the prior year, and comparisons based on information submitted by each state according to NEA guidelines. Sometimes the revised data vary substantially from the original report. For 1999–2000 California moved from an estimated ranking of 38 to an actual one of 32 and in 2000–01 from an estimated 33 to an actual 27.

The advantage of the NEA report is its consistency over time and therefore comparability from year to year. However, sometimes between the time of the estimate and the revision, definitions change and affect the amounts reported.

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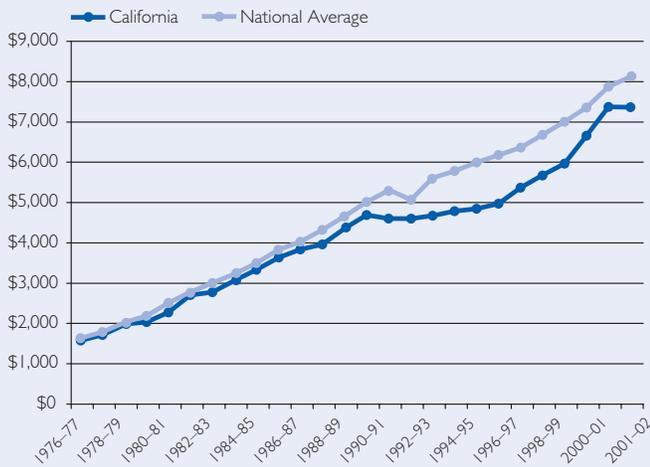
California has had a relatively low expenditure per pupil in the past decade

California's expenditure per pupil (ADA) as a percent of the national average



Note: Data for 1977-78, 1979-80, 1989-90, and 2001-02 are based on estimates.

Expenditures per pupil (ADA) in California compared to the national average



DATA: RANKINGS AND ESTIMATES 2002-03, NATIONAL EDUCATION ASSOCIATION EdSOURCE 8/03

(See Figure 2.) With more than 6 million students, California would have had to spend about \$4.6 billion more on K-12 education to reach the average national expenditure in 2001-02 and many more billions to catch up with New York.

California's lower-than-average spending per student is a trend that began nearly 30 years ago with the *Serrano v. Priest* court decision to equalize funding, which resulted in a state-imposed cap (revenue limit) on districts' general purpose income. Then in 1978, Proposition 13 slashed property taxes and effectively transferred control of K-12 public education funding to the state. The circumstance worsened during the economic recession in the first half of the 1990s. The upturn at the end of the century helped California outpace other states and move up in its national ranking. But state and local revenues were hit badly when the stock market bubble burst in 2001—with the predictable impact on education spending.

California has the third highest number of students per teacher

In 2001-02, California moved from several years of being second highest to third highest in the ratio of students enrolled per teacher: 20.8 compared to the U.S. average of 15.9. California was at the top of the list until 1996-97 when the state's Class Size Reduction program began.

Both Utah, with a ratio of 21.1 students per teacher, and Arizona with 21.0 are now higher. Vermont is the lowest at 11.5. Among the 10 most populous states, California continues to have the most students per teacher, as Figure 3 shows.

Counting students: Enrollment versus average daily attendance (ADA)

"Enrollment" is a count of all students enrolled in a school on a particular day (in October in California). "ADA," or average daily attendance, is the number of students in school each day during the school year divided by the number of days that school was in session. Absent students, even those with excused absences, do not count toward average daily attendance. Average daily attendance is usually slightly lower than enrollment.

Student population growth and mobility during the academic year, both of which are high in California, affect enrollment figures. The enrollment method is accurate on that October day, but it does not capture changes that occur during the rest of the school year. While ADA may undercount the number of pupils actually served, it is a critical number for California school districts because much of their funding is based on ADA. The NEA report continues to maintain tables showing ADA, but it has switched to enrollment as the primary student count.

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California has had the most students per teacher among the 10 most populous states



DATA: RANKINGS AND ESTIMATES 2002-03, NATIONAL EDUCATION ASSOCIATION EdSOURCE 8/03

Student-teacher ratios are calculated by dividing the total enrollment by the number of full-time equivalent teachers even though not all teachers are classroom teachers. For example, take an elementary school with four classroom teachers with 20 students each plus a reading specialist who works with two struggling students from each class. That school would have a pupil/teacher ratio of 16 to 1 even though the typical classroom has 18 to 20 students throughout the day.

California teachers' salaries top the list, but the cost of living in the state is high

The large increases in K–12 funding, particularly in 1999 and 2000, permitted many California districts to grant substantial raises to their teachers—about 20% overall from 1996–97 to 2000–01. California's average salary increase for 2000–01 was 3.6% compared to 3.0% nationally. This average increase, which took effect in 2001–02, moved the state ahead of New Jersey and Connecticut and placed it number one among all states for average teacher salary. (See Figure 4.)

When adjusted for inflation, California teacher salaries were 6.3% higher in 2001–02 than 10 years earlier, in 1991–92.

The average salary of \$54,348 in California in 2001–02 was almost \$10,000 above the national average of \$44,683. The average cost of living in California is just a few percentage points above the national average, according to data from the Bureau of Labor Statistics, though it is considerably higher in a few of the state's urban areas.

A study by the other national teachers' association, the American Federation of Teachers (AFT), combined its own interstate cost-of-living index with statewide salaries for 1999–2000. In that analysis, California teachers were earning less than the national average because the AFT calculations showed California as the third most expensive state to live in.

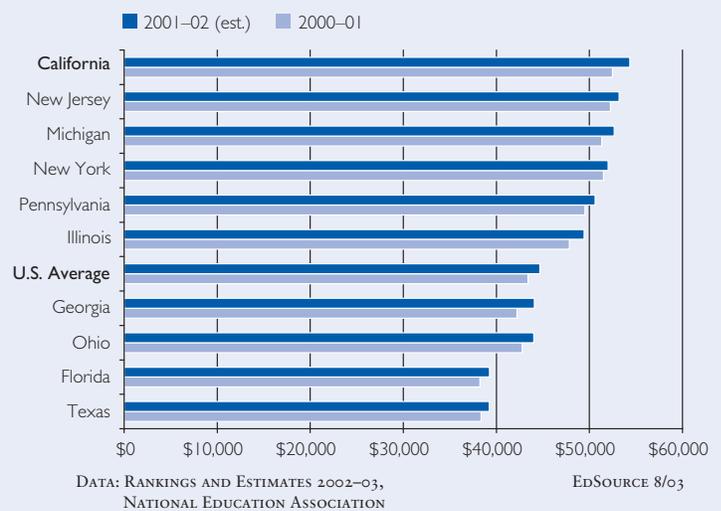
California could spend more on public schools

Per capita personal income is a traditional measure of a state's capacity to support programs such as K–12 public education. California's per capita personal income ranked 9th in the nation in 2000, at \$32,334. Compared to the national average, the state has about \$2,500 more in per capita personal income per public school student.

The amount spent per \$1,000 of personal income measures a state's effort to support public education. According to that statistic, California has given low priority to public schools in the past 30 years compared to other states. In 1999–2000, the latest year with available data, California ranked 40th, an increase over the

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California has the highest teacher salaries of any state, including the 10 most populous ones



Comparison data tell just part of the story

Comparisons are rife with difficulties:

- The data may not be consistent from one state to another due to differences in what is collected, how it is collected, when it is collected or for what time period, its reporting and interpretation, and definitions or parameters over time.
- States differ dramatically in size, ethnic and socioeconomic characteristics, cost of living, and how they set policy, fund public education, and govern their schools. The more than 6 million schoolchildren in California include about 24% for whom English is not the first language compared to an average 8% nationally, according to data from the National Center for Education Statistics (NCES). In California 22% of children under 18 live with families in poverty, in contrast to 17% nationally, according to the 2000 U.S. Census.
- Teachers' salaries can reflect the changing characteristics of the workforce over time, particularly the addition of new teachers whose salaries are lower.
- Averages can obscure the variations that are informative and important to the accuracy of the picture they paint. This is particularly true in a state as large and diverse as California.

ranking of 45th the previous year. The state spent \$34 per \$1,000 of personal income for K–12 public education, in contrast to Michigan at \$45, New York at \$42, and New Jersey at \$41. (See Figure 5 on page 4.)

California's comparatively low level of financial commitment to public education may reflect legislative priorities. In 1998–99 (the latest data available), the state ranked 25th in its per capita expenditures on K–12 education and next to last among the 10 most

populous states. But California was eighth in spending on corrections and fourth on police and fire protection.

California still ranks below other states on most measures

California's investments in K–12 public education at the end of the 1990s moved the state closer to the national

California relies primarily on state funds

California's state-dominated funding system is unusual. Most other states rely primarily on local property taxes to pay for public schools. Here, however, the state has been the primary funding source ever since voters approved the tax reform initiative Proposition 13 in 1978. With few exceptions, the Legislature and governor control any funding increases from both state taxes and local property taxes. At the same time, school boards in California have a limited ability to raise local money for schools.

According to *Quality Counts 2002–03*, published by *Education Week*, schools in only two of the 10 most populous states rely on statewide taxes for more than half of their funding: Michigan at 77.7% and California at 59%.

To Learn More

- *Rankings and Estimates 2002–03*, National Education Association (NEA), 1201 16th St. NW, Washington, DC 20036; 202/833-4000; www.nea.org
- In April 2002 EdSource prepared a report about *Teacher Pay in California*. Go to www.edsource.org to download this publication for free.
- For more information on California's school finance system, go to the School Finance section of our website: www.edsource.org/edu_fin.cfm

Or see our publications, which can be ordered online or by calling 650/857-9604:

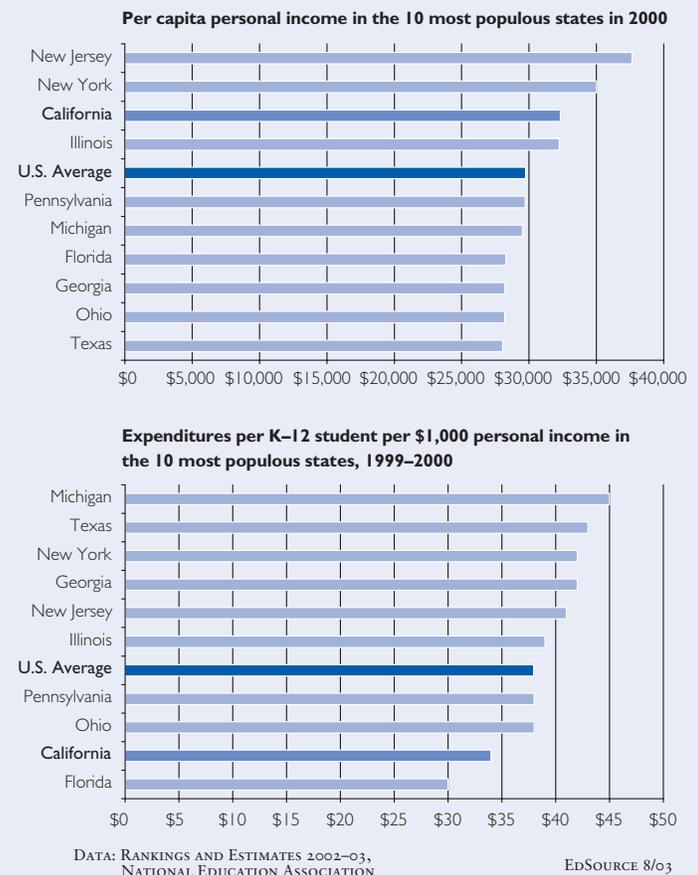
- *Selected Readings on California School Finance (12/02)*, which contains the most popular EdSource publications related to school finance; and
- *Understanding School Finance: California's Complex K–12 System (1/00)*, an eight-page booklet that provides a clear summary of how California's complex education funding system works.

average on school spending and provided a boost for teachers' salaries (on average). But many classes remain quite large compared to other states.

During the next year or two, California's national ranking on K–12 expenditures could again fall for both economic and political reasons. The continuing weak economy, competing demands on the state budget, and the priorities of state lawmakers make it unlikely that California will invest more per pupil in the near future. ■■

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5

Among the 10 most populous states, California has a high per capita personal income but ranks low in spending on K–12 education



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