DOCUMENT RESUME

ED 213 079 EA 014 372

AUTHOR Singleton, Robert; And Others
TITLE Minorities, the Poor and School Finance Reform. Vol. 3: The Impact of California's 1972 School Finance Reform on Poor and Minority Children.
INSTITUTION Intercultural Development Research Association, San Antonio, Tex.
SPONS AGENCY National Inst. of Education (DHEW), Washington, D.C.
PUB DATE Jul 79
CONTRACT 400-76-0136
NOTE 117p.; For related documents, see EA 014 370-378.
AVAILABLE FROM Intercultural Development Research Association, 5835 Callaghan, Suite 350, San Antonio, TX 78228.

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Disadvantaged Youth; *Economically Disadvantaged; Elementary Secondary Education; Equalization Aid; *Ethnic Distribution; Expenditure Per Student; *Finance Reform; Income; *Minority Group Children; Rural Urban Differences; *School District Spending; School Funds; State Aid; Tables (Data); Tax Effort
IDENTIFIERS *California; *Equity (Education); Fiscal Neutrality; School District Wealth; Serrano v Priest

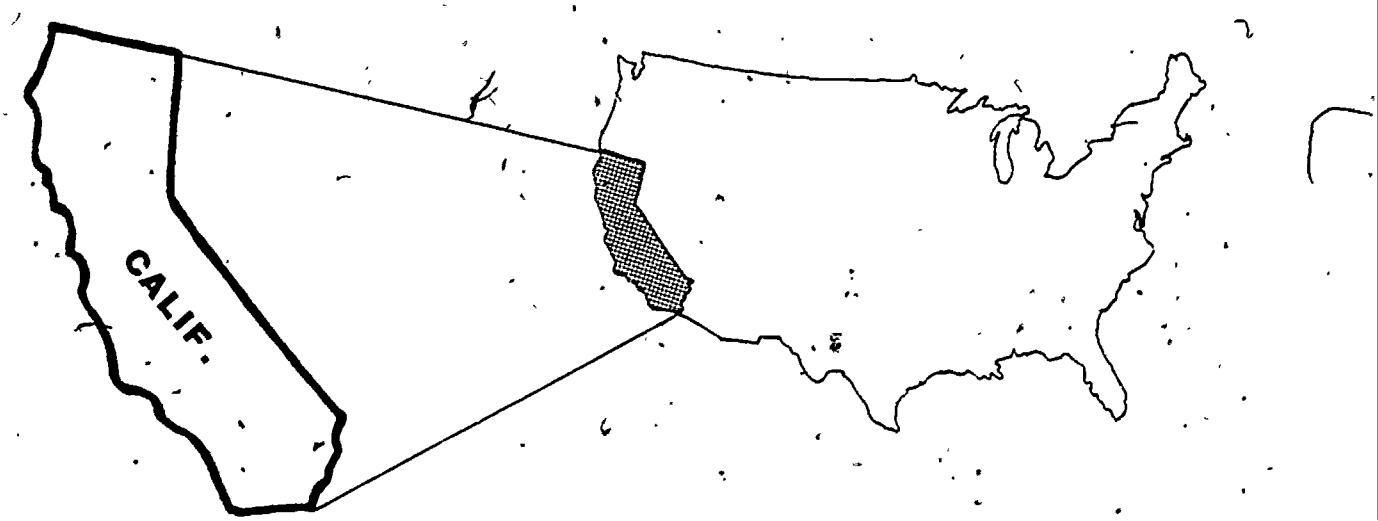
ABSTRACT

Examination of California's experience with school finance reform was part of a nine-volume, six-state study of the impact of finance reform on poor and minority students. Researchers used correlation coefficients and measures of central tendency and dispersion to analyze data on educational revenues, school district wealth, tax effort, district expenditures per pupil, ethnicity, family income, and urban location. This volume of the report presents the background to California's finance reform efforts (including the 1971 Serrano v. Priest decision), describes the disparities in California's public school finances, and analyzes the changes occurring after the 1972 reform law in fiscal neutrality, distribution of revenues among ethnic and income groups, and spending disparities among districts with different ethnic and income compositions. Among the authors' conclusions are that different ethnic groups are geographically concentrated in different ways and that the 1972 law caused (1) a mildly positive reform in school finances, (2) no significant decrease in wealth discrimination, (3) a small decrease in spending disparities, and (4) a small increase in state aid to urban districts. (RW)

MINORITIES, THE POOR AND SCHOOL FINANCE REFORM

VOL. 3: THE IMPACT OF CALIFORNIA'S 1972 SCHOOL FINANCE REFORM ON POOR AND MINORITY CHILDREN

Robert Singleton, Joseph O. Garcia and Ruben W. Espinosa



Robert Brischetto, General Editor

A Report Submitted to the National Institute of Education

U.S. Department of Health, Education and Welfare

Contract No. 400-76-0136

JULY, 1979

INTERCULTURAL DEVELOPMENT RESEARCH ASSOCIATION

MINORITIES, THE POOR AND SCHOOL FINANCE REFORM

Robert Brischetto, General Editor

VOLUMES

1. An Impact Study of Six States
   Robert Brischetto and David Vaughan
2. The Impact of Texas' 1975 School Finance Reform on Poor and Minority Children
   Robert Brischetto
3. The Impact of California's 1972 School Finance Reform on Poor and Minority Children
   Robert Singleton, Joseph O. Garcia and Ruben W. Espinosa
4. The Impact of Florida's 1973 School Finance Reform on Poor and Minority Children
   David Vaughan
5. The Impact of New Mexico's 1974 School Finance Reform on Poor and Minority Children
   David Vaughan with the assistance of Elizabeth Vaughan
6. The Impact of Colorado's 1973 School Finance Reform on Poor and Minority Children
   Renee Marie Montoya and Gale G. Whiteneck
7. Statistical Note on a New Case for Discrimination in Texas School Finance
   Robert Brischetto
8. A History of School Finance Reform Litigation and the Interests of Urban, Poor and Minority Children
   Paul R. Dimond
9. Summary and Conclusions
   Robert Brischetto

The work upon which this publication is based was performed pursuant to Contract No. 400-76-0136 of the National Institute of Education. It does not, however, necessarily reflect the views of that agency.

MINORITIES, THE POOR AND SCHOOL FINANCE REFORM

VOL. 3: THE IMPACT OF CALIFORNIA'S 1972 SCHOOL FINANCE REFORM ON POOR AND MINORITY CHILDREN

Robert Singleton, Joseph O. Garcia and Ruben W. Espinosa

Robert Brischetto, General Editor

A Report Submitted to the National Institute of Education
U.S. Department of Health, Education and Welfare
Contract No. 400-76-0136

JULY, 1979

5835 Callaghan, Suite 350
San Antonio, Texas 78228

CONTENTS

CONTENTS (Cont.)

LIST OF TABLES

LIST OF TABLES (Continued)

LIST OF TABLES (Continued)

LIST OF TABLES (Continued)

PREFACE

The Intercultural Development Research Association (IDRA) with support from the National Institute of Education (Contract No. 400-76-0136) undertook a study of the impact of recent school finance reforms on poor and minority students in six states--California, Colorado, Florida, Michigan, New Mexico and Texas. The objective of the study was to track the distribution of dollars for education among districts with pupils of different ethnic and income groups from before to after "reform" legislation was implemented. The ultimate goal of this research was to inform policy makers on the state and federal levels about whether and to what extent legislative reforms of the first half of the 1970's have redistributed education resources in a manner which is more equitable for poor and minority students so that future policies might be measured by such a standard of equity.

The research, while sponsored by IDRA of San Antonio, was a cooperative effort with several school finance study projects originated by the National Urban Coalition (NUC) of Washington, D.C. Robert Bothwell, former director of the Education Finance Division of NUC, proposed this cooperative research effort. The purpose of the joint research effort was not only to study the impact of school finance reforms on poor and minority pupils, but also to provide the school finance reform projects with the data and statistical tools necessary to continue to monitor school finance legislation in their respective states well beyond the termination of this study.

The findings of the study are reported in nine volumes. This report (Volume 3) details the findings on the impact of the 1972 school finance law in California (SB 90) on poor and minority children. The principal author, Robert Singleton, is former director of the Education Finance Reform Project of Los Angeles. Joseph Garcia and Ruben Espinoza, co-investigators in the study, represent the California School Finance Reform Project at San Diego State University.

The effects of the California reform are compared with those of the five other states in Volume 1: An Impact Study of Six States.

Volumes 2, 4, 5 and 6 are individual state reports on Texas, Florida, New Mexico and Colorado, respectively. Each report gives an historical overview of school finance legislation, a detailed description of the reform, and an in-depth analysis of the outcomes of the school finance system before and after the reform was implemented.

Volume 7: A Statistical Note on a New Case for Discrimination in Texas School Finance presents the type of statistical analysis which might be employed in court to prove discrimination against poor and minority children in funding education.

Volume 8: A History of School Finance Reform Litigation and the Interests of Urban, Poor and Minority Children gives an overview of school finance reform litigation in the context of other educational reform litigation efforts in behalf of poor and minority children.

Volume 9: Summary and Conclusions condenses the major findings from the six States study and discusses their implications.

Robert Brischetto
Study Director
July, 1979

INTRODUCTION

Of the 19,957,304 California residents in 1970, 74% were Anglo, 15.5% were Chicano, 7.0% were Black, and 2.7% were Asian American. Native Americans and others constituted less than one percent of the total population.

According to the U.S. Census of Population for 1970, 9.1% of the 17,365,725 persons in California families lived below poverty. Poverty statistics varied widely by race and ethnicity. Eight percent of the white family members not of Hispanic origin (herein "Anglos") lived below poverty, while 15.4% of Hispanic whites (herein "Chicanos") lived below poverty. The percentage of Blacks living below poverty was 23.4%. Although the census fails to give an adequate breakdown of other minority ethnic groups, collectively they had 10.3% living below poverty.

Median school years completed in 1970 for the population, aged 14 years and older, was 12.3 years. Anglos ranked slightly higher than the average. For Chicanos, the median was 10.7 years, and for Blacks, the median was 11.7 years. Thus, the average Anglo had some college, while the average Black and Chicano had not completed high school.

---

[1] U.S. Bureau of the Census, Census of Population: 1970, Detailed Characteristics, Final Report PC (1)-D6. California. Section 1 Tables 138 and 148. Section 2, Table 207. 1975 data are from California Department of Finance, California Statistical Abstract, 1975, p. viii.

The temperate climate of the state, especially in Southern California, has attracted millions of people to its coastal cities during the past century. The population approximately doubled five times in that period, or once every 20 years. This phenomenal rate of growth has placed an enormous burden on the education services in the cities, although the increase has slowed somewhat in recent years. In the past five years, California has gained about 200 new residents per day. During the five years from 1963 - 1967, however, the average annual increase was 454,600 -- more than a thousand per day. On July 1, 1975, California had a total population of 21,113,000.

HISTORY OF SCHOOL FINANCE REFORM IN CALIFORNIA

The litigation in California began with the landmark school finance case in Serrano v. Priest. The 1971 ruling, known within the school finance research community as Serrano I[2], held that the California school finance system violated the equal protection clause of the state constitution because it made the quality of education dependent on the taxable wealth of local school districts.[3]

The plaintiffs in the case were school children, including those of John Serrano, and their taxpayer parents. Defendants were the

---

[2]Serrano v. Priest, 5 Cal. 3d. 584, 96 Cal. Rptr., 601, 487, P 2d 1241 (1971). It is assumed that the reader is familiar with the literature on this ruling. Where this is not true, the reader is directed to a proponent's view in Karst, "Serrano v. Priest: A State Court's Responsibilities and Opportunities in the Development of Federal Constitutional Law," 60 California Law Rev. 720 (1972) and a critical review in Goldstein, "Interdistrict Inequalities in School Financing: U. Pa. L.Rev., 504 (1972).

[3]Lawyers' Committee for Civil Rights Under Law, Summary of Statewide Finance Cases Since 1973, February 2, 1977, p. 3.

State Treasurer (Ivy Baker Priest), the State Controller, and the State Superintendent of Public Instruction, as well as their counterparts at the county level. A number of wealthy school districts intervened on the side of the defendants.[4]

The complaint alleged discrimination against both children and taxpayers in poor districts. Plaintiffs claimed that there were substantial disparities among school districts in California in per pupil wealth, and that these disparities, in turn, produced substantial disparities among districts in per pupil expenditures for public education, with the result that the educational opportunities available in tax poor districts were substantially inferior to those available to children in wealthier districts.

Originally filed on August 23, 1968, the complaint was dismissed by the California Superior Court. The dismissal was affirmed by the California Court of Appeals on August 30, 1971. The California Supreme Court demurred, reversed the decision dismissing the complaint, and remanded the case to the trial court for a trial on the facts. The California Supreme Court upheld the complaint primarily on the basis that the education finance mechanism in California operates in such a way that it makes the quality of education for school age children in California a function of the wealth of the child's parents and neighbors, as measured by the

---

[4]Beverly Hills Unified School District, one of the richest districts in the state, galvanized the others to form an organization known as "Schools for Sound Finance" (SF^2) which led the opposition against wealth equalizing implications of Serrano I and the subsequent appeal which produced Serrano II.

tax base of the school district in which the child resides. The plaintiffs had only to prove their allegations at trial in order for the California school fiannce system to be held unconstitutional.

The plaintiffs prevailed, and on April 10, 1974, after a five-month trial, the trial court declared the system of school finance in California in violation of the equal protection provision of the State Constitution. In his opinion, Judge Jefferson found that the current financing scheme in California, notwithstanding the substantial increase in the state's share brought about by the 1972 legislation, still related the quality of education to local district tax bases. Contributing features in the system to which the court objected were:

1. The ability of voters to vote tax overrides within each district and thereby raise unlimited revenue.
2. A constitutionally required payment of $120 per pupil called "Basic Aid," which went even to pupils of wealthy districts.
3. Disparities in wealth greater than $100 per pupil expenditures and variations in tax rates between school districts.

State officials supported the plaintiffs, while county officials and wealthy districts appealed the decision to the California Supreme Court which affirmed the trial court's findings in an opinion known as "Serrano II" on December 30, 1976.[5]

California School Finance Prior to 1972-73

Prior to the enactment of reform legislation in 1972, the California school finance system consisted of a relatively conven-

---

[5] Serrano v. Priest, 45 U.S. L.W., 2340 (December 30, 1976).

tional foundation plan. To understand it, one must first realize that California has three kinds of school districts: elementary school districts, high school districts, and unified school districts. For school finance purposes, unified districts are treated as if they are separate elementary and high school districts with coterminous boundaries. Elementary school districts were guaranteed a foundation of $355 per pupil in average daily attendance, and high school districts were guaranteed $488 per pupil. The foundation was $20 higher in both categories for pupils in unified districts. To determine the amount of the state contribution, a "computational tax rate" was calculated for each school district. The equalized assessed valuation per elementary ADA of the district was multiplied by a tax rate of $1.00 per $100. If this raised less than the $335 guarantee, the difference would at first approximate the state aid due. Similarly, a tax rate of $0.80 per $100 was used in calculating the district share for high school students, and the difference between this and $488 per pupil constitutes a first estimate of the state aid due on account of high school pupils.

State aid consists of "basic aid" and "equalization aid." Each district was entitled to $125 per pupil basic aid, regardless of its wealth. The positive difference (if any) between total state aid and basic aid was called equalization aid. As an example, let us take a unified district with 1,000 elementary pupils, 400 high school pupils, and an equalized assessed value of $20,000,000. The calculation would be as follows:

Elementary AV/ADA = $20,000,000/1,000 = $20,000

District contribution = $20,000 x .01=$200

Foundation guarantee = $335 + $20 unification bonus = $355

State aid = ($355 - $200) x 1,000 = $155,000 for elementary students

High school AV/ADA = $20,000,000/400 = $50,000

District contribution = $50,000 x .008 = $400

Foundation guarantee = $488 + $20 unification bonus = $508

State aid per pupil = ($508 - $400) x 400 = $43,200 for high school students

Total district aid = $155,000 + $43,200 = $198,200

Basic aid = $125 x 1,400 pupils = $175,000

Equalization aid = $198,000 - $175,000 = $23,000

In addition, school districts with assessed valuations per pupil below specified limits qualified for supplemental aid, the amount being a function of the extent to which its property tax rate exceed the statutory minimum rate for that district.

There was also "area aid," which was designed to achieve some redistribution of wealth over a larger area. This applied when there had been a unification election in an area which had failed. A tax at a specified rate was levied on all of the area involved in the election, and the money raised was distributed among the districts according to ADA. It was usually the rich districts that defeated unification (they stood to lose in the deal), but this was a method of redistribution.

In addition to this general aid, there were some categorical aid programs:

1. Special education. Funds were appropriated for educating the mentally retarded and the physically handicapped. A cost reimbursement formula was used to pay the district

for the extra expense of this type of education, up to a specified maximum cost per pupil.

2. Special compensatory education programs for the disadvantaged. Rather minor in scope before 1972, these programs included a special teachers' employment program, a preschool follow-up program, and demonstration programs in reading and math for low achieving pupils.

3. Transportation. A transportation allowance was given, limited to the statewide average expenditure per bus per day plus 25%. The expenses covered included operating expenses, repairs, insurance, replacement of equipment, payments to parents in lieu of transportation, and payments to public carriers. Local districts had to absorb the original cost of equipment and operating expenses in excess of the state allowance.

4. Construction. Loans were made available, depending upon district wealth. Title to buildings and land remained with the state until the loan is repaid.

The local contribution to revenue came almost entirely from property taxes. The tax rate could be either greater or less than the computational tax used for determining state aid. There was a tax rate limit, but it could be exceeded by local vote, and most districts had done so.

The pre-1972 school finance system, then, was one in which large disparities in expenditures and tax rates existed because of differences in district wealth that were uncompensated by state aid. The main reasons for the inadequate compensation were the basic

aid of $125 per pupil that went to all districts, the low level of the foundation guarantee, and the fact that most districts raised unequalized local revenue above the level of the computational tax.

Early Reform Legislation

There were two major waves of determined effort at reform after Serrano. The first followed on the heels of Serrano I and was essentially a reintroduction of pet solutions conceived by legislators who were concerned with the problem of inequality of educational resources long before that ruling. For a brief look at some of the competing proposals, see Attachment 1. The second wave was stimulated by Serrano II. The result of the first flurry of proposals was a compromise between Governor Reagan and Speaker of the Assembly Moretti, known as SB 90.[6] The result of the second salvo was the current law, AB 65.

Reform: SB 90 (1972)

SB 90 (Dills) emerged as the compromise proposal in response to the Serrano mandate. In the last days of the 1972 legislative session, the Governor and the Assembly Speaker incorporated a number of the proposals mentioned above in an admitted "short-term option" plan, which did not satisfy Serrano, but made some strides in that direction.

Total Amount. SB 90 increased the state's share from 35% to 43% and added $225 million in additional state money for general

[6] SB 90, Ch. 1406 (1972) Cal. Stats., 2931 as amended, AB 1267, Ch. 208 (1973), Cal. Stats.

school support. It also provided $220 million to reduce tax rates in high tax, low wealth districts and to increase property tax exemptions for homeowners. In addition, $82 million went to finance the Brown factor for special assistance to urban districts, and $25 million went to early childhood education, a program supported by the Superintendent of Public Instruction, Wilson Riles.

By Program Type. SB 90 permitted the raising of the foundation level through increased state equalization aid for the lowest wealth districts. It set expenditure limitations (revenue limits) on the districts, making it henceforth possible to raise taxes only through justifiable inflation costs and set the inflation adjustment for high wealth districts lower than for low wealth districts. Voters in each district could raise the tax rate through what are called "voted overrides" at tax elections. As will be discussed below, this was one of the major flaws of SB 90.

The 1972 "reform" legislation actually made little change in the way state money was distributed. It had two important effects:

1. A lot more money was put into education, and it was done in a somewhat more equal manner. The foundation guarantee was roughly doubled, as was the computational tax rate. Basic aid stayed the same, but was a smaller percentage of the guarantee. The effect of this was to give more money to the poor districts than to the rich, as evidenced by the following:

   Before:

   District A: Assessed Valuation per ADA = $10,000. District contribution, based on $1.00 per $100 of AV. = $100. State Guarantee = $355. State Aid = $255 or 70% of guarantee.

District B: Assessed Valuation per ADA = $30,000. District contribution based on $1.00 per $100 of AV = $300. State Guarantee = $355. State Aid = $55, or 32% of guarantee.

After:

District A: $10,000 AV per ADA. State guarantee = $909, district contribution based on $2.23 tax rate = $223. State aid = $686, or 75% of guarantee.

District B: $30,000 AV per ADA. State guarantee = $909, district contribution based on $2.23 tax rate = $669. State aid = $240, or 26% of guarantee.

2. A revenue limit was established, replacing the former tax rate limits. This limited the amount a district could raise from state and local sources to its 1972 revenue plus allowed increases. A district spending at the state average was allowed to increase its expenditure by up to 6% a year. A district spending below the limit was allowed to increase its expenditure by up to 15% a year, while a district spending above the state average was allowed to increase its spending at less than 6% per year. One spending at twice the state average, for example, could increase its spending only at 3% per year. The net effect of this was gradually to bring the spending of all districts toward the state average. However, the time necessary to get the spending of all within a narrow range has been estimated at up to thirty years. In addition, districts are allowed to exceed the revenue limit through a local tax override vote. The additional amount thus raised is unequalized, and rich dis-

tricts will be more likely to vote favorably than poor districts. There is an exception to this: districts spending more than 150% of the state average which vote to increase their taxes were to have some of the excess money raised recaptured and redistributed to poor districts.

The revenue limits have been justly criticized on two counts: they do not sufficiently contribute to equalizing per pupil expenditures because they can be exceeded by local vote, and they do nothing for taxpayer equity. The reason for the latter is that districts subject to the revenue limit stay within it by reducing their local tax rate as the assessed calculation goes up. In San Francisco, for example, where they have not found it possible to pass an excess levy, the tax rate has declined precipitously since 1972.

In addition to imposing revenue limits and increasing the amount of state monies while distributing it in a more equalizing fashion, there were some important categorical programs enacted from 1972 to 1976.

1. Educationally disadvantaged youth programs. These programs were enacted as part of the 1972 reforms. The apportionment of funds is based on district need, as determined by the following three factors:

   (a) Language barriers. An index of bilingual/bicultural need is calculated by dividing the percent of pupils with Spanish and Oriental surnames and Indian pupils by the statewide average percentage.

(b) Income. A poverty index is calculated by dividing the district percentage of Title I ESEA students by the statewide average.

(c) Mobility. An index of pupil transience is calculated as district transience divided by state average transience.

District eligibility and level of funding for each poverty student was based on the average of these three indices. The amount of money was constant ($128 for 1975-76 times average index times number of poverty children). With the addition of this program to the Special Compensatory Education Programs for the Disadvantaged described above, California's total state compensatory education allocations increased by 232% between 1971-72 and 1974-75.

2. Bilingual Education Act of 1972. Appropriations between 1972-73 and 1974-75 increased from $1 million to $4 million. In 1976, the Bilingual/Bicultural Education Act was passed. Programs funded under the 1972 act will eventually be absorbed into or eliminated by those funded under the 1976 act.

3. Early Childhood Education programs. These programs were enacted as part of the legislative reforms for the restructuring of grades K-3. For 1973-74, $25 million was allocated, and for 1974-75 that figure was $40 million (compared to $82 million allocated for the Educationally Disadvantaged Youth programs).

A DESCRIPTION OF DISPARITIES IN THE CALIFORNIA PUBLIC SCHOOL FINANCE SYSTEM

Measures of Central Tendency and Dispersion on Selected School Finance Variables

Presented below is an analysis of disparities relative to the legislative policy goals as stipulated by the 1972 reform law. SB 90 was very specific in its legislative intent relative to the policy goals it intended to achieve.[16] These included:

1. Property tax relief to high tax, low wealth districts,
2. Increased state share of education resources,
3. Reduction of "slippage," i.e., a decline in state shares of educational resources which result from continued growth in district assessed valuation,
4. Increased program foundation levels,
5. Expenditure controls in the form of revenue limits,
6. Elimination of permissive tax overrides,
7. Automatic inflation adjustments, and
8. Increased funding for categorical educational programs.

The analysis particular to each of the above legislative policy goals will be discussed separately. However, in order to present an overview of the scope of the problem, it is essential to identify the actual disparities in wealth, expenditures and taxes. Standard descriptive statistics are used in describing the major school finance variables. The state means, median and standard deviation values, as well as ranges between minimum and maximums will used to summarize the system. Also, these same measures will be used to show the basic trends of each major finance variable over a four-year period.

The coefficient of variation will be used as a measure of equality in order to examine trends in the data. The coefficient of variation is an equity measure calculated by dividing the standard deviation by the mean.

Although the legislative intent language did not specify it, the argument used to win passage of SB 90 was that it would comply with the Serrano decision by reducing the district's dependence on its wealth. Prior to passage of the school finance reform legislation the standard deviation (average variability from the mean) of the modified assessed valuation (MAV) per pupil for unified school districts was $6,873. The mean MAV was $14,032 per pupil for unified districts. Three years after passage of SB 90 the standard deviation increased to $9,458. (See Table 1.) The range for MAV per pupil prior to SB 90 was $100,855; three years after passage of SB 90, the range had increased to $128,534. Both measures, standard deviation and the range, indicate that the disparities between the districts with low wealth and high wealth as measured by modified assessed valuation had increased substantially. Furthermore, since MAV is the current measure for determining local school district wealth, which in turn serves as a basis for generating local revenue, the increase in disparities suggests that the school finance reform legislation should contain provisions to offset the increased disparities in MAV per pupil.

The effects of the 1972 reforms on these disparities can be more easily seen in Table 2, which was derived from the data in Table 1. Table 2 shows five measures frequently used by school finance policy analysts to describe the impact of reform.[7]

---

[7] Some of these measures require definition. The range is the most familiar of the five. It is the difference between the minimum and maximum values that were used to describe the disparities above.

Table 2 presents the coefficient of variation on the average modified assessed valuation per pupil from 1972 to 1976. The coefficient of variation was .490 in 1972-73 which suggests that there is quite a bit of inequality in modified assessed valuation or that the distribution of values shows substantial dispersion. However, the variation in the degree of inequality of modified assessed valuation over the four year period was slight. That is, the MAV scores showed substantial inequality in 1972-73 and continued to show nearly the exact amount of inequality until 1975-76. So, it does appear that the reform law clearly had no effect or control on district wealth, which is the main generator of local revenue and district expenditures.

The picture looks brighter relative to local tax rates. Prior to SB 90, the standard deviation of local tax rate for unified school districts was $.77 and the mean was $4.51. (See Table 1.) Three

---

But these are extreme values only, and are usually not representative of all observable data points. The "restricted range" observes only the differences in the values at the 5th and 95th percentiles of the cumulative frequency distribution, thereby ignoring the "tails" which contain the least representative observations.

The "Federal Reserve range ratio" is a variant of the restricted range. It divides the 95 percentile value of the cumulative distribution by the 5 percentile value to produce a quotient which can be used more comparably between variables of differing orders of magnitude.

Variation (the standard deviation squared) is another familiar measure of disparity, which takes into account all values of the variable. But since variance is expressed in terms of the magnitudes of the variable measured, some variables, such as assessed valuation and total expenditures, result in extremely large variances which are hard to compare with those of smaller magnitudes, such as tax rates.

A standardized measure of variance is obtained by dividing the standard deviation, which is the square root of the variance, by the mean. This measure, called the coefficient of variation is, like the Federal Reserve range ratio, comparable between variables of widely differing magnitudes precisely because it is a ratio.

TABLE 1

SUMMARY STATISTICS ON SELECTED SCHOOL FINANCE AND DEMOGRAPHIC DATA FOR CALIFORNIA, 1972-73 THROUGH 1975-76

VARIABLE	1972-73	1973-74	1974-75	1975-76
MODIFIED ASSESSED VALUATION PER PUPIL				
State Mean	$ 14033	$ 15286	$ 16308	$ 18039
State Median	13781	15450	16209	17096
Standard Deviation	6873	7520	8043	9458
Minimum	2095	2363	2150	2424
Maximum	102950	124073	111274	130958
LOCAL TAX RATE PER $100 MAV				
State Mean	$ 4.51	$ 3.99	$ 4.24	$ 4.32
State Median	4.36	3.94	4.22	4.37
Standard Deviation	0.77	0.79	0.62	5.59
Minimum	1.15	0.00	0.85	0.78
Maximum	7.43	6.69	6.62	6.63
LOCAL REVENUE PER PUPIL				
State Mean	$ 673	$ 631	$ 676	$ 761
State Median	664	659	711	783
Standard Deviation	243	264	270	302
Minimum	75	98	113	94
Maximum	2510	2807	2509	3076
STATE REVENUE PER PUPIL				
State Mean	$ 333	$ 500	$ 531	$ 593
State Median	295	459	476	556
Standard Deviation	79	132	143	162
Minimum	167	202	153	175
Maximum	660	909	915	1225
STATE AND LOCAL REVENUE PER PUPIL				
State Mean	$ 1006	$ 1131	$ 1207	$ 1354
State Median	985	1102	1190	1334
Standard Deviation	188	186	175	206
Minimum	677	849	941	646
Maximum	2907	3421	2923	3815

REFORM LAW PASSED

Table 1 continued:

VARIABLE	1972-73	1973-74	1974-75	1975-76
FEDERAL REVENUE PER PUPIL				
State Mean	$ 81	$ 75	$ 92	$ 91
State Median	75	71	82	88
Standard Deviation	60	54	65	58
Minimum	3	1	4	3
Maximum	1557	1296	1700	752
TOTAL REVENUE PER PUPIL				
State Mean	$ 1090	$ 1208	$ 1300	$ 1449
State Median	1050	1182	1271	1436
Standard Deviation	207	203	200	219
Minimum	766	931	1037	1068
Maximum	3021	3512	3335	3862
TOTAL GENERAL FUND EXPENDITURES PER PUPIL				
State Mean	$ 1033	$ 1174	$ 1288	$ 1396
State Median	1018	1153	1260	1392
Standard Deviation	196	214	208	218
Minimum	758	858	987	1085
Maximum	2908	3338	3233	3828

TABLE 2

FIVE MEASURES OF EQUALITY ON SELECTED SCHOOL FINANCE VARIABLES FOR CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1972-73 THROUGH 1975-76

		RANGE	RESTRICTED RANGE	FEDERAL RANGE RATIO	VARIANCE	COEFFICIENT OF VARIATION
EQUALIZED EVALUATION PER PUPIL	1972-73	100855	23523	3.70	48×10^6	.490
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	121710	25231	3.56	57×10^6	.492
	1974-75	109124	27616	3.73	65×10^6	.493
	1975-76	128534	29595	3.67	89×10^6	.524
OPERATING VILLAGE RATE	1972-73	6.28	2.56	.735	.588	.171
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	6.69	2.43	.807	.624	.198
	1974-75	5.77	2.07	.609	.390	.147
	1975-76	5.85	2.17	.693	.313	.130
LOCAL REVENUE PER PUPIL	1972-73	2435	691	2.13	58897	.361
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	2709	819	3.17	69930	.418
	1974-75	2396	888	3.08	72901	.399
	1975-76	2982	968	2.88	91041	.397
STATE REVENUE PER PUPIL	1972-73	494	259	1.16	6196	.237
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	707	408	1.39	17397	.264
	1974-75	762	453	1.50	20570	.269
	1975-76	1051	547	1.69	26319	.273
STATE AND LOCAL REVENUE PER PUPIL	1972-73	2231	540	.690	35170	.187
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	2572	492	.520	34605	.164
	1974-75	1982	471	.458	30780	.145
	1975-76	3169	528	.449	42415	.152
FEDERAL REVENUE PER PUPIL	1972-73	1554	155	7.75	3547	.741
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	1294	144	7.58	2951	.720
	1974-75	1696	170	8.50	4232	.707
	1975-76	748	177	7.70	3384	.637
TOTAL REVENUE PER PUPIL	1972-73	2256	563	.676	43035	.190
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	2581	569	.567	41201	.168
	1974-75	2298	514	.472	40118	.154
	1975-76	2795	547	.445	47814	.151
GENERAL FUND EXPENDITURES PER PUPIL	1972-73	2150	534	.654	38561	.190
	----------	----------	REFORM LAW PASSED	----------	----------	----------
	1973-74	2480	575	.611	45740	.182
	1974-75	2246	605	.575	43060	.161
	1975-76	2743	732	.638	47741	.156

years after passage of SB 90, the standard deviation decreased to $0.56 (rounded) and the mean decreased to $4.32. The range for local tax rates prior to SB 90 was $6.28, and only $5.85 after passage of SB 90. The disparities between districts with high local effort and those with low local effort decreased as a result of the school finance reform legislation. Although the duration of the effect is positive (decrease in disparities), the net desirable effect (the ability to generate equal dollars for similar effort) has not been attained.

Table 2 presents the coefficient of variation results on local tax rates for unified school districts from 1972-73 to 1975-76. In general, these results are similar to those already described. In 1972 the coefficient of variation was .171 or 17%, and in 1975-76, it was .130 or 13%. In general, these results show a decrease in the amount of variation among tax rates. While these results are not dramatic, they are clearly going in an equitable direction.

State revenue, which is intended to supplement and help equalize local district revenue, is hampered in that aim because of the state constitutional requirement of providing a flat grant of $125 per pupil, regardless of the districts' ability to raise revenue. Consequently, the variation in 1972-73 state revenue per pupil was much less than other fiscal variables--the maximum value being only four times the minimum.

Table 2 presents the coefficient of variation results on state revenue per pupil. In 1972-73 the coefficient of variation was .237 on state revenue per pupil. The variation increased to .273 in 1975-76. These results show a slight increase in the variation of state revenue values. Whether the variation of these results are in a more equitable direction will be addressed in another section of the results.

Table 2 presents data that shows that the coefficient of variation in general fund expenditures was .190 in 1972-73 and decreased to .156 in 1975-76. These results show a slight tendency towards less variation of expenditures over the four-year period. While the results appear to be in an equitable direction, the changes do not appear to be that great.

The increase in the range and restricted range in wealth (modified assessed valuation) from 1972-73 to 1973-74, the fiscal years just prior to and immediately after the 1972 reform, was in part a reflection of the growth in wealthier property values in California that is still continuing unabated at this writing. Table 1 showed that mean wealth increased each year, from $14,032 at the beginning of the period to $18,039 at the end. SB 90 did nothing to arrest this growth. Clearly, an attempt to corral runaway growth in expenditures must begin with strong provisions regarding access to wealth bases and tax effort.

Most school finance scholars believe that the most trustworthy of the various measures of disparity is the coefficient of variation. The others are either sensitive to changes in levels or depend on extremes of the distribution. Table 2 shows, in the case of MAV per pupil, a small increase in the coefficient of variation from 1972-73 to 1974-75.

Tax Relief

Table 1 shows that the stated policy goal of tax relief for the property owner was reached to some extent. Prior to SB 90 (1972-73), the average tax rate for unified districts was $4.51 per $100 of assessed value. By 1973-74, the mean had fallen to $3.99, a 52¢ decrease.

Relief was achieved by a combination of increased state contributions and prohibitions against increases in expenditures except by

voted tax overrides. This meant that many districts which may have opted to take advantage of the new state funds by increasing spending at their old tax rate were forced by the spending limits to roll back taxes instead.

Analysis over a longer period, however, shows that the tax relief may have been of short duration. By 1974-75, as Table 1 shows, the mean tax had crept back up to $4.23, and rose again in 1975-76 to $4.32. Still, it remained, on the average, below 1972-73 levels. The results summarized on taxes earlier showed that in general there was tax relief after the reform.

Increased State Shares

The sum of local and state average revenues in a given year provides a view of the state's share in the support of schools. Table 1 shows that in 1972-73 the state's share was 33% (333/(673 + 333)). A year after SB 90, it had increased to 44%. But more importantly, the average local revenue declined slightly, while the state revenue increased and more than offset the local decline. These results have been discussed separately in a previous section.

In terms of the measures in Table 2, the coefficient of variation for local revenues increased from 1972-73 but decreased thereafter. Thus it appears that the local revenue disparities increased as a result of the reform legislation. Since the reform was not designed to effect this area, the continuation and growth of local revenue disparities is understandable.

In conclusion, while SB 90 met its intended goal of increasing the state's share of the education burden at the time of its passage, that commitment was not sustained, and the local share began to increase again thereafter, albeit and the differences in state plus local revenues tend to remain proportionally inequitable.

The Reduction of Slippage

The reversal in state and local shares after SB 90 improvements is the result of "slippage," the tendency for state apportionments to local districts to decline as assessed values grow over time. This occurs because districts which were previously wealthy and experienced increases in assessed value, received less equalization aid. Poor districts, as measured by modified assessed valuation, do not receive less state aid since they may experience relative decreases in local wealth.

Table 1 shows that while state revenues increased by 50.1% from 1972-73 to 1973-74, assessed values grew by only 8.9%. In that year no slippage occurred. But in the next two years, 1973-75, assessed values increased by 18% and state revenues by only 18.6%. It appears that slippage occurred, despite SB 90's intentions to the contrary.

Increased Foundation Levels

A direct result of SB 90 was the legislated increase in foundation level amounts for unified districts from $335 in 1972-73 to $909 in 1973-74. The success of this policy goal is reflected in the increased actual average expenditures from 1972-73 to 1973-74, as shown in Table 1. By 1975-76, additional "clean-up" legislation (AB 1267, SB 220, SB 1641) had increased the average expenditure to $1396 for unified districts.

The restricted range reveals that much of this fluctuation in the range was apparently due to districts at either end of the range. This measure shows a steady increase from 1972-73 to 1974-75, indicating that the reform law did little to reduce disparities within the main body of the districts.

The coefficient of variation--the "standardized variance"-- showed a slight, but steady decline in expenditure inequality over all years

of available data. The explanation of this observation is that the mean expenditure (the denominator) grew by 35% from $1033 to $1398, while the standard deviation (the numerator) grew by 11%. Again, this reflects the large amounts of new state aid contributed to the system, which increased average expenditures at a rate that was faster than that at which disparities were affected. In short, the increase in foundation funding by the state resulted in some reduction in the overal inequality in expenditures.

Expenditure Caps (Revenue Limits)

SB 90 addressed the problem of runaway education expenditures by establishing "revenue limits," i.e., a limit on the amount a district could increase its expenditures without a vote of the electorate. The limit was defined in terms of a "revenue base," which was the amount that the district was spending in specified accounts in the "base year" of 1972-73. After SB 90, districts were not allowed to increase the expenditure per student beyond limits specified in the bill, the greater amount of which was called an automatic "inflation adjustment." Inflation adjustments will be discussed in greater detail below.

Eliminating Permissive Overrides

California school finance formulas have traditionally contained two types of possible overrides of the education tax rate. One was the change in these rates voted by the taxpayer himself called "voted overrides." The other allowed district boards of education to increase certain rates by specified amounts when they saw fit. These were called "permissive overrides." SB 90 reduced the latter option to a maximum of 15% a year in order to keep the expenditure increases within limits. It did not remove voted overrides, however, because of its implications for curtailing local control.

While the elimination of many permissive overrides did reduce the expenditure increases to some extent, later research showed that it was voted overrides, not permissive overrides, which contributed mostly to expenditure disparities. It was the high wealth, low tax rate district which was most likely to vote a tax override; the low wealth, high tax rate district was most likely to resort to permissive overrides after voted override attempts failed.[8]

Inflation Adjustments and Serrano Compliance

SB 90's most direct effort to comply with Serrano's requirement to remove the relationship between expenditures and wealth was the differential inflation adjustment factor. Low spending districts were authorized to increase expenditures yearly by as much as 15%, while high spending districts were limited to increases as low as 6%. Over time, the architects of the legislation intended the low spenders to converge with the high spenders.

Judge Jefferson, who presided over Serrano I, declared that the rate of convergence was not adequate to comply with the mandate of Serrano, which set a time limit of five years after the ruling for compliance.

Special Categorical Features

SB 90 also made money available for categorical aid programs supported by the Superintendent of Public Instruction and the Chairman of the Assembly Ways and Means Committee.

The Ways and Means Chairman introduced a rival bill to SB 90 which contained a formula for the allocation of money to the disadvantaged (defined by Title I criteria) at a factor of 1.75 times a basic grant set by the bill.

---

[8] Childhood and Government Project Memorandum [illegible] Brief, and a Brief in the Supreme Court of California, 1974 Serrano v. Priest, on appeal from the Superior Court.

These funds were not to be dispensed in the form of general aid, however. Districts would have to apply for them and would receive the maximum only if they would show plans for improvement of educational achievement by low income and disadvantaged students.

The bill lost, but the Chairman required that any bills seeking serious consideration by his committee contain his formula and an appropriation to implement it. SB 90 contained $82 million for this purpose.

FISCAL NEUTRALITY: SERRANO COMPLIANCE

Table 3 shows the correlation coefficients between a number of finance variables and district wealth for unified and elementary districts. Elementary districts are introduced here for comparative purposes to show the extent to which the analysis of unified districts can be generalized to other type districts. In general, the correlation for elementary districts are all in the same direction as in the unified district for most major variables, albeit there are differences in the magnitude of the correlation. As a result, this study does not provide a detailed analysis of these comparisons.

Tax Effort and Wealth

The relationship between local tax effort and wealth shows definite non-compliance with the Serrano order for both types in 1972-73, i.e., as wealth increases, tax rates decline significantly. But after the reform law was passed, the relationship between wealth and effort for both type districts was ended in 1973-74. In the next two years, however, the system reverted to non-compliance with the fiscal neutrality mandate of Serrano. Wealth and effort were again significantly inversely related by 1975-76.

Expenditures Per Pupil and Wealth

Fiscal neutrality implies an insignificant correlation between wealth and spending ability, i.e., the state's equalization or recapture program would be sufficient to offset the unequal ability to raise local revenue for education. Table 3 reveals, however, for both type districts that the higher the district wealth, the

TABLE 3

PEARSON CORRELATIONS RELATING SCHOOL FINANCE VARIABLES TO DISTRICT WEALTH FOR CALIFORNIA UNIFIED AND ELEMENTARY SCHOOL DISTRICTS, 1972-73 THROUGH 1975-76

SCHOOL FINANCE MEASURES	YEAR	MODIFIED ASSESSED VALUATION PER PUPIL	
		UNIFIED	ELEMENTARY
EQUALIZED TAX RATE	1972-73	- .471**	- .223**
	reform law passed		
	1973-74	.016	.038
	1974-75	- .197**	- .123**
	1975-76	- .392**	- .205**
LOCAL REVENUE PER PUPIL	1972-73	.851**	.699**
	reform law passed		
	1973-74	.880	.749**
	1974-75	.859**	.717**
	1975-76	.875**	.652**
STATE REVENUE PER PUPIL	1972-73	- .786**	- .432**
	reform law passed		
	1973-74	- .769**	- .551**
	1974-75	- .775**	- .472**
	1975-76	- .746**	- .406**
STATE + LOCAL REVENUE PER PUPIL	1972-73	.814**	.657**
	reform law passed		
	1973-74	.778**	.678**
	1974-75	.761**	.669**
	1975-76	.767**	.543**
FEDERAL REVENUE PER PUPIL	1972-73	.090	- .164**
	reform law passed		
	1973-74	.050	- .153**
	1974-75	.067	- .134**
	1975-76	.015	- .088
TOTAL EXPENDITURES PER PUPIL	1972-73	.733**	.583**
	reform law passed		
	1973-74	.739**	.[illegible]0**
	1974-75	.695**	.[illegible]2**
	1975-76	.740**	.480**

* Significant at .01
** Significant at .001

greater total expenditures per pupil in 1972-73 with no significant effects from the reform for unified districts and only slight improvement in elementary districts--from 0.58 in 1972-73 to a still significant 0.48 in 1975-76.

Local Revenue Per Pupil and Wealth

The expected relationship between the ability to raise local revenue and wealth in a fiscally neutral system would depend on the type of system. Full state assumption would divorce the district from its wealth base, and no relationship would be expected since the state would require each district to tax itself against the statewide average. Other fiscally neutral schema may include recapture--for example, district power equalizing--and a significant relationship between wealth and local levies could exist at the revenue raising stage, only to be equalized at the distribution stage by means of a statewide schedule of taxes spending to which all districts would be required to conform.

Since SB 90 contains no recapture provisions, and since the equalization formulas remain real despite increased foundation levels, the positive and significant correlations between local revenue per pupil and wealth must be regarded as a reflection of non-compliance, i.e., the ability of wealthier districts to raise more money.

State Revenue Per Pupil and Wealth

The expected relationship between state revenue and wealth in all systems, fiscally neutral or not, would be exactly as shown in Table 3--highly significant and negative coefficients, indicating that the lower the equalization aid for districts--the higher the wealth. If basic aid were subtracted from the total, the relation-

ship would be negative and even greater between wealth and equalization aid alone. The notable fact, however, is that one would expect an increasing negative correlation between wealth and state aid as a result of reform. The trend was in fact just the opposite.

School Finance Variables by District Wealth Quintiles

Tables 4 through 7 arrange the data on the impact of SB 90 by pupil quintiles ranked by modified assessed valuation per pupil by year for unified school districts. Comparisons of 1972-73 and 1973-74 data reveal the short term effects of SB 90, while comparisons with subsequent years reveal longer term effects of SB 90 and its trailer bills (AB 1267, SB 220, etc.)

Table 4 shows the number of students and districts actually comprising each quintile, as well as the ethnic percentages within each. The large size of the Los Angeles Unified School District requires that it be given an entire quintile, indeed it is larger than all but one of the others.

Black and Chicano pupils each constitute 25% of Los Angeles school district. Chicanos are fairly evenly distributed among the other four quintiles, ranging from 14% to 19% and Blacks range from 7% to 14% in these quintiles.

The census definition of "urban" presents some difficulties--91% of California unified school districts qualify, which makes this variable almost useless for analysis. This problem will be discussed below.

The number of districts in each wealth quintile varies widely, from a low of one (Los Angeles) to a high of 129 for the highest wealth quintile. Clearly the wealthier districts have smaller numbers of students.

TABLE 4

DEMOGRAPHIC CHARACTERISTICS OF QUINTILES OF PUPILS IN CALIFORNIA UNIFIED SCHOOL DISTRICTS RANKED BY MODIFIED ASSESSED VALUATION PER PUPIL: 1973-74

Modified Assessed Valuation (Quintiles)*	Black Student Enrollment (1973-74)	Percent Chicano Student Enrollment (1973-74)	Percent Urban Student Enrollment (1970)	Number of Districts	Number of Students
1973-74 Average	13%	18%	91%		
Significance	***	***	***		
less than $9,820	10	19	95	41	539,668
$ 9,820-$12,571	7	16	83	38	556,577
$12,572-$15,578	5	14	86	44	489,064
$15,597 (L.A.)	25	25	100	1	639,934
$15,598 or more	14	13	88	129	757,574

*Each quintile contains approximately one-fifth of all pupils in average daily attendance in the state

Significance level:
*** = .001

Serrano Compliance

Compliance with the Serrano ruling is revealed in the data as a lessening of the relationship between district wealth and other fiscal variables such as tax rate, district revenue, per pupil expenditures, etc. In 1972-73, equalized tax rates of pupil quintiles ranked by district wealth were highest for the lowest wealth levels ($4.89) and lowest for the highest wealth levels ($4.20). (See Table 5.) In 1973-74, however, after SB 90, mean tax rates are lowest for the lowest wealth quintiles and highest for the highest quintiles. The short run effect of SB 90 in terms of the relationship between wealth and tax effort was certainly impressive.

The short run effects were less impressive for local district revenues, however. Table 5, column 2 shows that despite the fact that the relationship between wealth and tax rates reversed in the extreme quintiles from 1972-73 to 1973-74, the relationship between wealth and local revenue remained the same over all the years shown, albeit at a temporarily lower level.

In 1975-76, Serrano compliance was weaker than in 1973-74. The highest wealth levels, again, had the lowest tax rates, although the lowest wealth quintile as no longer among the highest tax levying districts.

In sum, SB 90 complied briefly in terms of the wealth and tax rate relationship. But this broke down over time.

Tax Relief

The previous findings are not surprising when one knows the legislative history of SB 90. As discussed earlier, SB 90 was,

TABLE 5

MEAN EQUALIZED LOCAL TAX RATE AND LOCAL REVENUE PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MODIFIED ASSESSED VALUE OF PROPERTY PER PUPIL: 1972-3 TO 1975-6

Modified Assessed Valuation (Quintiles)*	Local Tax Rate	High-Low (High/Low)	Local Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	4.51		$673	
Significance	***		***	
less than $8,673	4.89		378	
$ 8,673-$11,403	5.02	$-0.69	507	$ 561
$11,404-$14,637	4.62	(.859)	628	(2.48)
$14,650 (L.A.)	4.01		809	
$14,651 or more	4.20		939	
----------Reform Law Passed----------				
1973-4 Average	3.99		$ 631	
Significance	***		***	
less than $9,820	3.56		314	
$ 9,820-$12,571	4.01		466	
$12,572-$15,578	3.96	$-0.79	627	$ 642
$15,597 (L.A.)	3.94	(1.22)	659	(3.04)
$15,598 or more	4.35		956	
1974-5 Average	4.24		$ 696	
Significance	***		***	
less than $11,118	3.96		365	
$11,118-$16,106	4.30		574	
$16,209 (L.A.)	4.59	$-0.10	751	$ 721
$16,210-$19,594	4.45	(.975)	787	(2.98)
$19,595 or more	3.86		1086	
1975-6 Average	4.32		$ 761	
Significance	***		***	
less than $12,162	4.29		413	
$12,162-$16,635	4.31		611	
$17,097 (L.A.)	4.40	$-0.31	783	$ 787
$17,098-$20,320	4.60	(.928)	881	(2.91)
$20,321 or more	3.98		1200	

*Each quintile contains approximately one-fifth of all pupils in average daily attendance in the state

Significance levels:
* = .05
** = .01
*** = .001

first and foremost, a tax relief measure compromised by Serrano concerns only for purposes of successful passage through the 1972-73 legislative session.

Increased State Shares.

Another stated goal of SB 90 was the increase in the state's share of expenditures per child. Table 6 shows the change in mean state revenues (column 1) and mean state and local revenue (column 2) ranked by weighted wealth quintiles, as well as the state's share as a percentage of state and local revenues (column 3), similarly ranked. The only clear loser is the quintile containing Los Angeles, which has a disproportionately large percentage of both Black and Chicano students. This will be discussed in further detail below.

Reduction of Slippage

Still another stated goal of SB 90 was a reduction of slippage, which is the tendency for growth and assessed valuation to cause decreases in the state's share of the education bill.

The state's share of state and local revenue per pupil is given in Table 6. As column 3 shows, SB 90 was quite successful in its goal of reduction of slippage between 1972-73 and 1973-74, overall. The state's share rose from 33% to 44%. The increase was even greater for the low wealth quintiles. Between 1973-74 and 1975-76, however, state shares have not changed overall.

In sum, SB 90 seems to have been successful at reducing slippage in the short run, but this reduction has not increased in the long run.

Increased Foundation Levels

In a sense, the achievement of this goal was a direct one.

TABLE 6

MEAN STATE REVENUE PER PUPIL, LOCAL + STATE REVENUE PER PUPIL AND STATE SHARE FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MODIFIED ASSESSED VALUE OF PROPERTY PER PUPIL: 1972-73 TO 1975-76

Modified Assessed Valuation (Quintiles)*	State Revenue Per Pupil	High-Low (High/Low)	State + Local Revenue Per Pupil	High-Low (High/Low)	State Share as % of Loc. + State
1972-3 Average	$333		$1006		33
Significance	***		***		***
less than $8,673	455		834		55
$ 8,673-$11,403	388	$-200	895	$360	43
$11,404-$14,637	316	(.560)	944	(1.43)	34
$14,650 (L.A.)	282		1091		26
$14,651 or more	255		1194		21
----------	Reform Law Passed	----------		----------	
1973-4 Average	$500		$1131		44
Significance	***		***		***
less than $9,820	692		1006		69
$ 9,820-$12,571	603		1069		56
$12,572-$15,578	457	$-327	1085	$314	42
$15,597 (L.A.)	443	(.527)	1102	(1.31)	40
$15,598 or more	365		1320		28
1974-5 Average	$531		$1207		44
Significance	***		***		***
less than $11,118	729		1094		67
$11,118-$16,106	575		1148		50
$16,209 (L.A.)	476	$-378	1227	$342	39
$16,210-$19,594	423	(.481)	1211	(1.31)	35
$19,595 or more	351		1436		24
1975-6 Average	$593		$1354		44
Significance	***		***		***
less than $12,162	812		1225		66
$12,162-$16,635	667	$-414	1278	$367	52
$17,097 (L.A.)	556	(.490)	1338	(1.30)	42
$17,098-$20,320	485		1366		36
$20,321 or more	398		1598		25

*Each quintile contains approximately one-fifth of all pupils in average daily attendance in the state

Significance levels:
* = .05
** = .01
*** = .001

TABLE 7

MEAN FEDERAL TITLE I, TOTAL FEDERAL AND TOTAL REVENUE PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MODIFIED ASSESSED VALUE OF PROPERTY PER PUPIL: 1972-73 TO 1975-76

Modified Assessed Valuation (Quintiles)*	Title I Entitlement Per ADA	High-Low (High/Low)	Federal Revenue Per Pupil	High-Low (High/Low)	Total Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	$27		$81		$1089	
Significance	***		NS		***	
less than $8,673	21		75		911	
$ 8,673-$11,403	23		72		971	
$11,404-$14,637	19	$7	69	$9	1017	$370
$14,650 (L.A.)	41	(1.33)	100	(1.12)	1191	(1.41)
$14,651 or more	28		84		1281	
Reform Law Passed						
1973-4 Average	$30		$75		$1208	
Significance	***		NS		***	
less than $9,820	23		76		1085	
$ 9,820-$12,571	26		69		1142	
$12,572-$15,578	20	$7	70	$1	1157	$315
$15,597 (L.A.)	46	(1.30)	81	(1.01)	1182	(1.29)
$15,598 or more	30		77		1400	
1974-5 Average	$29		$92		$1301	
Significance	***		NS		***	
less than $11,118	23		83		1179	
$11,118-$16,106	28		79		1229	
$16,209 (L.A.)	41	$6	106	$18	1333	$361
$16,210-$19,594	26	(1.26)	94	(1.22)	1305	(.31)
$19,595 or more	29		101		1540	
1975-6 Average	$30		$ 91		$1449	
Significance	***		NS		***	
less than $12,162	25		81		1319	
$12,162-$16,635	27		91		1372	
$17,097 (L.A.)	41	$2	98	$4	1436	$366
$17,098-$20,320	29	(1.08)	103	(1.05)	1470	(1.28)
$20,321 or more	27		85		1685	

*Each quintile contains approximately one-fifth of all pupils in average daily attendance in the state

Significance levels:
* = .05
** = .01
*** = .001

SB 90 simply legislated that the foundation levels be raised for all pupils in elementary, high school, and unified districts. The success of this mandate is reflected in Table 6, as the growth in state and local per pupil revenues, except for Los Angeles as has been seen, has clearly increased.

Expenditure Caps (Revenue Limits)

SB 90 forbade districts to spend beyond a specified increase in their revenue base, which it defined as the amount spent in certain specified accounts in the "base year" (1972-73) unless the district electorate voted in favor of a tax override. Districts whose revenues might have exceeded the specified growth rate were required to decrease the tax rate. Thus, the tax relief seen in Table 5 is, in part, a reflection of the success of this aspect of SB 90.

More specifically, districts spending below the statewide average in 1972-73 were allowed to increase spending at a rate faster than those spending above the average in the base year. The effects of this provision are visible in Table 6. From 1972 to 1973, the average increase in state revenue was $167, but for lowest wealth quintile districts, the increase was more ($237) and for highest wealth quintile districts, the increase was less ($110).

However, when the net effects of tax decreases and new state aid are viewed, there was little change. Table 7 shows that the statewide increase in total revenue expenditures ($119) from 1972-73 to 1973-74 was approximately equal to the increase of every wealth quintile as well, from the lowest ($174) to the highest ($119).

Federal Aid: Does It Contribute to Fiscal Neutrality?

Table 7 shows Title I entitlement per ADA as well as overall

per pupil federal revenue by wealth quintiles. The difference between low and high wealth quintiles is no more than $10 over the three-year period. The quintile aggregates are probably too gross to answer the question raised in the section heading, but the one quintile containing Los Angeles shows consistently high federal revenue per pupil. Table 4 showed a disproportionately large number of both Blacks and Chicanos in Los Angeles.

Federal revenue comprised only 7.4% of all revenue per pupil in 1972-73 and in 1973-74 it fell slightly to 6.2%. It was significantly higher in the lowest wealth quintile.

In short, while Table 7 indicates no evidence of federal contribution to fiscal neutrality, it shows a definite federal contribution to the disadvantaged.

DISTRIBUTION OF REVENUES AMONG ETHNIC AND INCOME GROUPS

Distribution of Ethnic Pupils

Assessment of the impact of the current school finance system, especially as it affects minority and poor students, requires the identification of districts where ethnic minority children are concentrated, and analysis of their geographic and demographic characteristics. Once these districts have been identified, it is then possible to test for differential variables on ethnic minority groups.

Table 8 presents the number and percent of ethnic minority students attending the California public schools during 1973-74. Spanish surname students represent the largest ethnic minority group in the public schools with 17.2 percent, followed by Blacks with 9.8 percent, Asian Americans with 3.0 percent, and American Indians with 0.5 percent. The total student ethnic minority population is 30.5 percent.

Table 8

NUMBER AND PERCENT OF ETHNIC MINORITY STUDENTS ATTENDING PUBLIC SCHOOLS IN CALIFORNIA DURING 1973-74

	American Indian	Asian American	Black	Spanish Surname	All Others	Total
No.	22,327	133,717	433,793	765,863	3,092,369	4,448,069
%	0.5	3.0	9.8	17.2	69.5	100

Tables 9 and 10 provide perspectives on the degree ~~to which~~ ethnic groups are isolated in districts containing both large numbers and large proportions of each group.

Table 9 arranges the unified districts by descending categories of numbers of students of own ethnic group, beginning with a category of "above 40,000." Only Black and Chicano students have sufficient numbers to register in this top category. That district aside (Los Angeles), Chicanos tend not to be as numerous as Blacks in large districts (above 20,000), while Blacks have substantial numbers in the 30-40,000 and 20-30,000 of own group categories. Indeed, two-thirds of Blacks are in districts in which more than 20,000 of their own group attend, while Chicanos and Asians have only about thirty percent of their students attending districts with more than 20,000 of their own groups. Native Americans, because of their small absolute numbers in California, tend not to be found in districts with substantial numbers of their own group. It is quite possible for minority ethnic group students to attend districts with small numbers of their own group. These numbers, however, may consititute large proportions, especially in the case of small districts.

Table 10 ranks districts by declining percentages of student ethnic group to illustrate this perspective.

Only Chicanos attend districts with more than ninety percent of their own group. But the two districts that fit that description are small. Blacks tend to be in larger districts, even at these high concentrations of own group students. There were ~~eight~~ districts with more than 35% of own group, and these contained 35% of all Black students. By contrast, there were 39 districts with more than 22% of all Chicano students in districts of 30% or more Chicano enrollments.

Another way of viewing the same tables to get an indication of the degree of racial isolation is to examine the table beginning at the bottom. Districts with small numbers or 0.0% of a particular ethnic group are larger in number. Districts with no students who were Spanish surname numbered only four, while for Blacks the number was 57, for Native Americans -- 45, and for Asian Americans -- 18. Districts with 1.0% to 4.9% of Spanish surname students numbered 65 districts. There were 213 such districts for Asian Americans, 193 for Native Americans, and 151 for Black students. The pupils in these less-than-5% categories amounted to only 3% for Spanish surname students, and 4% for Blacks, but 81% for Native Americans, and 64% for Asian Americans.

These findings allow us to conclude that Chicano students are more widely dispersed throughout the state than any other ethnic minority group, and that Black students are the most concentrated.

TABLE 9

DISTRIBUTION OF AMERICAN INDIAN, ASIAN AMERICAN, BLACK AND SPANISH SURNAMED STUDENTS BY SIZE OF THEIR ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1973-74

Range of Ethnic Student Count	American Indian Students			Asian American Students			Black Students			Spanish Surname Students		
	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils
Above 40,000	0	0	0	0	0	0	1	166,572	41	1	162,543	31
30,001-40,000	0	0	0	0	0	0	2	69,625	59	0	0	31
20,001-30,000	0	0	0	1	28,157	28	1	23,213	64	0	0	31
10,001-20,000	0	0	0	1	17,204	45	3	40,151	74	6	73,747	45
5,001-10,000	0	0	0	0	0	45	7	47,839	86	10	70,167	58
4,000- 5,000	0	0	0	1	4,197	50	2	9,002	88	10	44,453	66
3,001- 4,000	0	0	0	1	3,323	53	1	3,438	89	10	33,243	73
2,001- 3,000	0	0	0	3	6,803	60	3	7,551	91	18	43,472	81
1,001- 2,000	1	1,316	11	8	9,215	69	9	11,364	94	40	57,356	92
501- 1,000	0	0	11	15	10,980	80	16	10,736	96	31	22,268	96
101- 500	27	5,333	57	68	15,278	96	40	9,744	99	56	15,415	99
11- 100	128	4,577	97	76	1,550	99	71	1,065	99	56	1,135	99
1- 10	49	253	100	58	273	100	37	162	100	8	49	100
0	45	0	100	18	0	100	57	0	100	4	0	100

TABLE 10

DISTRIBUTION OF AMERICAN INDIAN, ASIAN AMERICAN, BLACK AND SPANISH SURNAMED STUDENTS BY THEIR PERCENTAGE OF TOTAL ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1973-74

Student Ethnic Percentage	American Indian Students			Asian American Students			Black Students			Spanish Surname Students		
	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils	No. of Districts	Number of Pupils	Cumulative % Pupils
90- 100	0	0	0	0	0	0	0	0	0	2	5,833	1
80- 89.9	0	0	0	0	0	0	1	27,829	7	0	0	1
70- 79.9	0	0	0	0	0	0	0	0	7	3	16,079	4
60- 69.9	0	0	0	0	0	0	2	36,022	16	0	0	4
50- 59.9	0	0	0	0	0	0	1	7,774	18	9	31,583	10
40- 49.9	1	326	2	0	0	0	1	6,119	20	9	25,320	14
30- 39.9	3	657	8	0	0	0	3	42,745	31	16	39,612	22
20- 29.9	0	0	8	1	17,204	17	7	177,648	77	30	246,111	69
10- 19.9	2	503	13	1	296	17	12	51,402	90	61	110,771	90
5- 9.9	12	784	19	17	18,779	36	20	21,376	96	51	38,277	97
1- 4.9	193	9,158	100	213	62,701	100	151	14,535	100	65	12,261	100
0- .99	39	0	100	18	0	100	52	0	100	4	0	100

A Caveat on Myths and Misinterpretations

Many research studies suggest that different ethnic groups can be lumped together and viewed as a single, homogeneous minority group, usually identified as "deprived," "disadvantaged," or "culturally different." Our findings are that both similarities and major differences exist in geographic distributions of the four ethnic groups. For example, Spanish surname and Black students both tend to be concentrated in urban school districts such as Los Angeles, San Diego, and San Francisco. However, the major difference between Black and Spanish surname students in terms of geographic location is that Spanish surname students are heavily concentrated in urban and rural school districts throughout the state of California, while Black students tend to be heavily concentrated only in urban areas.

There are only two counties of 58 in California with over 50 percent of any single ethnic minority group, San Benito and Imperial Counties. These two counties have over 50 percent Chicano pupils.

It is also true that while different ethnic minorities may be in the same districts, particularly urban settings, they are not necessarily in the same schools. For example, in 1972-73 in Los Angeles' 618 schools, 177 had 90 percent or more ethnic minority concentration. Of the 177 schools, 109 were predominately Black, 65 Chicano, and 3 were Asian American. These results suggest that conclusions about one ethnic group are not usually applicable to other ethnic groups at any level of analysis.

Distribution of District Wealth within Ethnic Groups

Table 11 shows decile points of modified assessed valuation when weighted by the respective ethnic groups shown in the column headings. Columns with duplicate decile values indicate districts which are larger in size than one decile for that group.

A pattern emerges from this array by using Anglo pupils as a yardstick for measuring the possible relationships among groups. Notable is the tendency for Black and poor wealth-per-pupil figures to be greater than Anglo wealth-per-pupil in deciles below the medians and to be less than the Anglo figure above the median. Asians and American Indians, meanwhile, tend to exceed the Anglo wealth values in every decile. Chicanos have a mixed pattern below the median, but above the median, they, like Blacks and the poor, tend to have less wealth per pupil than do Anglos.

Interpreting these patterns is, at best, risky. Later tables will provide additional insights which will assist in this pursuit. At this point, it is useful to briefly preview the findings that districts with the highest percentages of Black pupils have low per-pupil wealth despite the fact that the weighted Black average per-pupil wealth is higher than the Anglo equivalent average. The influence of Los Angeles, where many Black pupils reside, overwhelms that statewide average, but not the highest percent Black categories in Table 11.

Statewide Ethnic Group Means

Table 12 dramatically reinforces many of the observations made earlier from other perspectives. The weighted mean per pupil wealth

TABLE 11

DISTRIBUTION OF EACH ETHNIC GROUP IN CALIFORNIA UNIFIED SCHOOL DISTRICTS RANKED BY MODIFIED ASSESSED VALUE OF TAXABLE PROPERTY PER PUPIL IN ADA, 1975-76

Pupil Percentile	Distribution of Modified Assessed Value Per ADA By Ethnic and Income Group					
	Black	Chicano	Asian	Am. Indian	Anglo	Poor
Lowest	2424	2424	2424	2424	2424	2424
10	8946	9061	11072	10192	9061	9527
20	13827	10782	14947	12161	11455	12327
30	17097	13083	17097	13827	13286	13863
40	17097	15778	17097	15861	15264	16635
50 (median)	17097	17097	17097	17097	16635	16635
60	17097	17097	18738	18836	17097	16635
70	17097	17097	20258	21766	18820	17937
80	18836	18836	27217	26154	20320	20049
95	24990	24132	49924	29517	25993	25730
Highest	130958	130958	130958	130950	130058	130958

Los Angeles MAV = 17,097

for all ethnic groups, shown in the first column, echoes an earlier remark regarding the different footings on which ethnic groups start their educational course. Black, Asian and American Indian pupils are actually better off than Anglos in terms of mean property wealth per pupil of the school districts in which they live. Chicanos are slightly worse off.

The income data changes this picture. Statewide weighted income means show Black pupils to be located in the lowest income districts, followed by Chicanos, Indians and Asians. The average income for districts in which Anglo pupils attend school is substantially higher than for any of the other ethnic groups. Since education tax revenues are levied against district wealth, but collected out of family income, the absence of the personal income variable from school finance formulas has a disequalizing effect.

According to the census definition of "urban," 91.1 percent of all California pupils in unified districts attend school in urban areas. (See Table 12) Black and Asian pupils are most urbanized. Indian pupils are 30% less urban than Blacks. Chicano pupils are more urban than the statewide average for unified districts.

Tax Relief: Mean Local Millage and Local Revenue

If the legislation failed to achieve compliance through wealth equalization, it certainly had some equalizing effects in terms of tax relief for relatively high-taxing districts and tax increases for the relatively low tax districts. From our wealth quintile category analysis, we observed that this effect did indeed occur. But when the categories are switched to ethnic groups, new insights are gained.

TABLE 12

WEALTH AND ETHNIC COMPOSITION OF CALIFORNIA UNIFIED SCHOOL DISTRICTS BY ETHNIC GROUP: 1972-76

Ethnic Groups	Modified Assessed Valuation 1972-73	MAV 1973-74	MAV 1974-75	MAV 1975-76	Percent Urban 1970	Mean Family Income 1969
State Average	$14,032	$15,273	$16,330	$18,064	91.1	$11,965
Significance	NS	NS	NS	NS	NS	NS
Indians	15,086	17,105	18,132	19,407	68.1	10,033
Blacks	14,854	16,263	16,928	18,580	98.7	8,292
Orientals	17,700	19,315	20,145	23,089	96.0	11,204
Chicanos	13,493	14,537	15,417	16,916	92.4	9,898
Anglos	13,807	15,057	16,250	18,009	89.0	13,368

As Table 13 shows, only Blacks were taxed higher than Anglos for education prior to the reform.[9] The effect of the reform was to provide tax relief for all groups, but differently. Anglos achieved the greatest degree of tax relief, followed closely by Chicanos. Blacks and Indians fared about the same, while Orientals got the least tax relief. As a result, in the year just after the reform, both Blacks and Orientals were taxed higher than Anglos, while Chicanos were taxed about the same as Anglos. By the second year after reform (1974-75) taxes had risen for all groups again, and only Indians had lower tax rates than Anglos.

State Share of State and Local Revenues

Table 14 shows the effect of the establishment of revenue limits on the state's share of state and local revenue per pupil. Interestingly, Anglos received the highest per pupil state revenue prior to reform. After reform, Chicanos received more than Anglos, but the other groups continued to get less. In subsequent years, Blacks also began to get more per pupil state revenue than Anglos, but Indians and Asians continued to get less.

Prior to reform, the state's share of revenue was 33%, with a low of 28% going to Asians and a high of 34% going to Anglos and Chicanos. Immediately after reform, the state's share increased to 44% overall, but again this varied from a high of 46% going to Chicanos to a low of 38% going to Asians. Blacks and Indians received a smaller share than Anglos both before and after reform.

---

[9] It would be more accurate to say that tax rates in districts where Blacks are located were higher than tax rates in districts where Anglos attended school. From the data we do not know who actually pays the taxes.

TABLE 13

MEAN LOCAL TAX RATE AND LOCAL REVENUE PER PUPIL BY ETHNIC GROUP IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-1976

Ethnic Groups	Local Millage Rate	Minority-Anglo (Minority/Anglo)		Local Revenue Per Pupil	Minority-Anglo (Minority/Anglo)	
1972-73 Average	45.1			$ 673		
Significance	NS			*		
Indians	40.4	-0.49	(.892)	638	-$ 13	(.980)
Blacks	46.0	0.07	(1.02)	762	$111	(1.17)
Orientals	43.4	-0.19	(.958)	811	$160	(1.25)
Chicanos	44.2	-0.11	(.976)	660	$ 9	(1.01)
Anglos	45.3			651		
----------	----------	Reform Law Passed		----------	----------	
1973-74 Average	39.9			$ 630		
Significance	NS			NS		
Indians	36.5	-0.31	(.922)	648	$ 30	(1.05)
Blacks	41.9	0.23	(1.06)	702	$ 84	(1.14)
Orientals	40.3	0.07	(1.02)	772	$154	(1.25)
Chicanos	39.5	-0.01	(.997)	598	-$ 20	(.968)
Anglos	39.6			618		
1974-75 Average	42.3			$ 677		
Significance	*			NS		
Indians	37.9	-0.38	(.909)	686	$ 21	(1.03)
Blacks	45.4	0.37	(1.09)	747	$ 82	(1.12)
Orientals	42.4	0.07	(1.02)	814	$149	(1.22)
Chicanos	42.3	0.06	(1.01)	646	-$ 19	(.971)
Anglos	41.7			665		
1975-76 Average	43.1			$ 762		
Significance	NS			NS		
Indians	40.0	-0.29	(.932)	767	$ 12	(1.02)
Blacks	45.0	0.21	(1.05)	822	$ 67	(1.09)
Orientals	41.9	-0.10	(.977)	910	$155	(1.21)
Chicanos	42.9	0.00	(1.00)	718	-$ 37	(.951)
Anglos	42.9			755		

Change 1972-73 to 1975-76

	Mills	Percent	Dollars	Percent
Average	- 2.0	- 4.4	+$ 99	+14.7
Indians	- 0.4	- 1.0	+$129	+20.2
Blacks	- 1.0	- 2.2	+$ 60	+ 7.9
Orientals	- 1.5	- 3.5	+$ 99	+12.2
Chicanos	- 1.3	- 2.9	+$ 58	+ 8.8
Anglos	- 2.4	- 5.3	+$104	+16.0

Significance Levels:
* = .05
** = .01
= .001

TABLE 14

MEAN STATE REVENUE, LOCAL + STATE REVENUE, AND PERCENT STATE SHARE OF REVENUE PER PUPIL BY ETHNIC GROUP IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-1976

Ethnic Groups	State Revenue Per Pupil	Minority-Anglo (Minority/Anglo)	Local + State Revenue Per Pupil	Minority-Anglo (Minority/Anglo)	% State Share Revenue
1972-73 Average	$ 333		$ 1,006		33%
Significance	NS		**		
Indians	321	-$15 (.955)	959	-$28 (.972)	33
Blacks	322	-$14 (.958)	1,085	$98 (1.10)	30
Orientals	313	-$23 (.932)	1,124	$137 (1.14)	28
Chicanos	335	-$1 (.997)	995	$8 (1.01)	34
Anglos	336		987		34
Reform Law Passed					
1973-74 Average	$ 500		$ 1,131		44%
Significance	NS		*		*
Indians	475	-$24 (.952)	1,123	$7 (1.01)	42
Blacks	497	-$2 (.996)	1,199	$83 (1.07)	41
Orientals	478	-$21 (.958)	1,249	$133 (1.12)	38
Chicanos	514	$15 (1.03)	1,112	-$4 (.996)	46
Anglos	499		1,116		45
1974-75 Average	$ 531		$ 1,208		44%
Significance	NS		*		
Indians	493	-$35 (.934)	1,179	-$14 (.988)	42
Blacks	531	$3 (1.01)	1,277	$84 (1.07)	42
Orientals	500	-$28 (.947)	1,314	$121 (1.10)	38
Chicanos	547	$19 (1.04)	1,193	0 (1.00)	46
Anglos	528		1,193		44
1975-76 Average	$ 592		$ 1,354		44%
Significance	NS		NS		
Indians	550	-$35 (.940)	1,317	-$23 (.983)	42
Blacks	603	$18 (1.03)	1,425	$85 (1.06)	42
Orientals	559	-$26 (.956)	1,469	$129 (1.10)	38
Chicanos	616	$31 (1.05)	1,334	-$6 (.996)	46
Anglos	585		1,340		44

Significance Levels:
* = .05
** = .01
*** = .001

TABLE 15

MEAN FEDERAL REVENUE AND TOTAL REVENUE PER PUPIL BY ETHNIC GROUP IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-1976

Ethnic Groups	Federal Revenue Per Pupil	Minority-Anglo (Minority/Anglo)	Total Revenue Per Pupil	Minority-Anglo (Minority/Anglo)
1972-73 Average	$ 81		$ 1,090	
Significance	***		***	
Indians	121	$49 (1.68)	1,083	$22 (1.02)
Blacks	118	$46 (1.64)	1,205	$144 (1.14)
Orientals	100	$28 (1.39)	1,226	$165 (1.16)
Chicanos	83	$11 (1.15)	1,081	$20 (1.02)
Anglos	72		1,061	
----------	Reform Law Passed	----------		
1973-74 Average	$ 75		$ 1,208	
Significance	***		**	
Indians	122	$54 (1.79)	1,248	$62 (1.05)
Blacks	108	$40 (1.59)	1,310	$124 (1.10)
Orientals	94	$26 (1.38)	1,345	$159 (1.13)
Chicanos	75	$7 (1.10)	1,189	$3 (1.00)
Anglos	68		1,186	
1974-75 Average	$ 92		$ 1,301	
Significance	***		**	
Indians	145	$63 (1.77)	1,327	$51 (1.04)
Blacks	130	$48 (1.58)	1,409	$133 (1.10)
Orientals	116	$34 (1.41)	1,431	$155 (1.12)
Chicanos	93	$11 (1.13)	1,288	$12 (1.01)
Anglos	82		1,276	
1975-76 Average	$ 91		$ 1,449	
Significance	**		**	
Indians	139	$56 (1.67)	1,469	$42 (1.03)
Blacks	123	$40 (1.48)	1,550	$123 (1.09)
Orientals	109	$26 (1.31)	1,580	$153 (1.11)
Chicanos	95	$12 (1.14)	1,438	$6 (1.00)
Anglos	83		1,427	

Significance Levels:
* = .05
** = .01
*** = .001

The revenue limit provision of SB 90 was intended to reduce local revenue by $43 for all groups, except Indians, for whom local revenue increased by $10. While this is an insignificant amount, probably not statistically significant, the direction of the change is notable in that it indicates that the revenue limit was an equalizing feature in the year immediately after reform, when mean Indian tax rates fell the most.

Chicanos faced the largest decline in local revenue (S62), and because of the fact that they were the lowest spending ethnic group after the reform, the revenue limit might be considered disequalizing for them.

Automatic Inflation Adjustment ("Squeeze Factor")

Table 13 also reveals the probable effects of the "squeeze factor" and the automatic inflation adjustment, which allowed districts raising revenue at or below the median in 1972-73 to raise their tax rates and local revenue faster than those districts which were raising revenues above the median in that year. In 1972-73 Blacks and Asians raised the highest mean revenue while Indians raised the lowest. If the squeeze factor had the desired effect, Indian mean local revenue would increase the most, while mean local revenue for Blacks and Asians would increase the least. This was the result obtained--Black local revenue grew the least, and Asian local tax rates grew the least. Results for other groups were more mixed.

Federal Aid and Total Revenues

Weighted means of federal aid per ethnic group pupil show that it is partly equalizing and partly disequalizing. The total revenue column in Table 15 shows that the Chicanos are the minority group

with the least revenue advantage, but federal revenue fails to offset this situation because it, too, provides fewer dollars for Chicanos than for any other minority group. On the other hand, Indians are the next most disadvantaged group in terms of total expenditures, but receive the most federal revenue.

Federal revenue proved disequalizing in the reform year. While total revenues increased substantially, federal revenue declined for all groups except Indians.

Total Expenditures

Table 16 presents data on the mean total expenditures per pupil by ethnic group for 1972-76. After the reform, all pupils increased an average of $141 from $1,033 prior to the reform to $1,174 the year after the reform. Every group increased in per pupil total expenditures. The Asian American pupils experienced the largest expenditure increase after the reform of $166 per pupil, followed by Blacks with $164, Indians -$150, Chicanos - $142, and Anglos- $136. Three years after the reform, all ethnic groups increased about $365 per pupil. The average increase was also $365 per pupil after the reform law.

DISPARITIES BY DISTRICT ETHNIC AND POVERTY COMPOSITION

Fiscal Disparities by District Ethnic Composition

Table 17 shows Pearson correlation coefficients relating percent ethnic group to fiscal variables. Significance levels for these correlations vary widely by group. There is no significant relationship between wealth and percent Black, Indian or Anglo for any year. But as Asians increase in percentage, so does district per pupil wealth in all years; and for Chicanos, there was an inverse relationship between ethnic percentage and wealth, albeit at a lower significance level, in the last two years.

TABLE 16

MEAN TOTAL GENERAL FUND EXPENDITURES PER PUPIL BY ETHNIC GROUP IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-1976

Ethnic Groups	Total General Fund Expenditures Per Pupil	Minority-Anglo (Minority/Anglo)	
1972-73 Average	$ 1,033		
Significance	**		
Indians	1,029	$ 19	(1.02)
Blacks	1,132	$ 122	(1.12)
Orientals	1,162	$ 152	(1.15)
Chicanos	1,018	$ 8	(1.01)
Anglos	1,010		
1973-74 Average	$ 1,174		
Significance	***		
Indians	1,179	$ 33	(1.03)
Blacks	1,296	$ 150	(1.13)
Orientals	1,328	$ 182	(1.16)
Chicanos	1,160	$ 14	(1.01)
Anglos	1,146		
1974-75 Average	$ 1,289		
Significance	***		
Indians	1,296	$ 35	(1.03)
Blacks	1,404	$ 143	(1.11)
Orientals	1,420	$ 159	(1.13)
Chicanos	1,279	$ 18	(1.01)
Anglos	1,261		
1975-76 Average	$ 1,398		
Significance	**		
Indians	1,424	$ 48	(1.03)
Blacks	1,497	$ 121	(1.09)
Orientals	1,527	$ 151	(1.11)
Chicanos	1,383	$ 7	(1.01)
Anglos	1,376		

Significanoe Levels:
* = .05
** = .01
*** = .001

Local tax rates and percent Black were insignificantly related before the reform, but significantly and positively related for all subsequent years, a clear tax effect of SB 90. In purely fiscal terms, such an effect might be considered equalizing, since Blacks have been shown to attend high wealth districts on the average. But when considerations for higher costs and lower achievement levels are recognized, as discussed later, the picture becomes more complicated.

Local tax rates and percent Chicano are almost a mirror reflection of the data on Blacks. In the Chicano case, only the first year relationship was significant, although all years were negative. As with the other ethnic groups, the correlations are for the most part non-significant.

Percent Black and Asian are both significantly directly related to local revenue per pupil. Percent Chicano and local revenue are not significant in the pre-reform year, but whereas the relationship is decreasing for Blacks and Asians, it is increasingly in the wrong direction and significant for Chicanos. These have negative contributions to districts with high concentrations of Chicanos and in general they have decreased in local revenue

A demonstration of effectiveness of the reform law in terms of its equalizing tendencies would be, inter alia, Pearson coefficients relating state revenue and percent ethnic group which were a mirror reflection of the local revenue per pupil, tax rate aside. (That is, where local revenue per pupil are positively related to ethnic percentage, indicating increasing amounts of dollars available from local sources the higher the percent ethnic group, then the state sources would be countervailing if they were nega-

TABLE 17

PEARSON CORRELATION COEFFICIENTS RELATING SCHOOL FINANCE VARIABLES TO PERCENT ETHNIC GROUP 1972-73 TO 1975-76

Percent Ethnic Group -	Modified Assessed Valuation Per Pupil	Local Tax Rate	Local Revenue Per Pupil	Local and State	Total Revenue
BLACKS					
1972-73	.100	.102	.316	.352**	.487**
1973-74	.109	.208**	.226**	.303**	.416**
1974-75	.061	.415**	.225**	.324**	.445**
1975-76	.045	.275**	.179*	.282**	.380**
CHICANO					
1972-73	- .114	- .167*	- .074	.036	-.061
1973-74	- .139	- .078	- .165*	-.146	-.134
1974-75	- .162*	- .0001	- .157*	-.121	-.092
1975-76	- .173*	- .064	- .201**	-.137	-.105
ASIAN					
1972-73	.451**	- .187*	.485**	.530**	.556**
1973-74	.462**	.044	.464**	.545**	.576**
1974-75	.405**	.016	.436**	.512**	.550**
1975-76	.458**	- .183*	.428**	.479**	.512**
AMERICAN INDIAN					
1972-73	.063	- .124	- .025	—	—
1973-74	.086	- .086	.025	—	—
1974-75	.087	- .134	.018	—	—
1975-76	.066	- .080	.016	—	—
ANGLO					
1972-73	-. 99	.062	- .283**	-.312	-.420**
1973-74	-. 88	- .108	- .154*	-.237**	-.336**
1974-75	-. 30	- .296**	- .154*	-.260**	-.378**
1975-76	-. 18	- 124	- .091	-.212**	-.313**

TABLE 18

PEARSON CORRELATION COEFFICIENTS RELATING SCHOOL FINANCE VARIABLES TO PERCENT FAMILIES BELOW POVERTY AND PERCENT FAMILIES ABOVE $15,000 FROM 1972-73 TO 1975-76

	Modified Assessed Valuation Per Pupil	Local Tax Rate	Local Revenue Per Pupil	Local and State	Total Revenue
BELOW POVERTY CHILDREN					
1972-73	.059	- .154*	.119	.118	.262**
1973-74	.063	.054	.041	.104	.230**
1974-75	.036	.054	.053	.135	.276**
1975-76	.018	- .022	.002	.106	.262**
ABOVE $15,000 PER YEAR					
1972-73	.134	.178*	.274**	.265**	.131
1973-74	.096	.431**	.226**	.190**	.070
1974-75	.109	.134	.222**	.191*	.046
1975-76	.092	.124	.202**	.182*	.036

tively related to ethnic percentage). Roughly, this is the case in Table 17. But not all cases are significant. Moreover, such a pattern would address purely fiscal concerns, ignoring the special educational needs of minority children.

Fiscal Disparities by Poverty Composition

Table 18 shows no significant relationship between wealth and percent children in families below poverty nor above $15,000 family income per year. But both groups were significantly related to local tax rates, albeit oppositely, in the year before the reform. In the year after the reform, children living in poverty were no

longer related to local tax rate, while wealthy children were significantly and positively related: the higher the tax rate, the higher the percentage of wealthy children. Other things equal, both effects appear equalizing. Examination of the other fiscal variables should help to varify this supposition.

There is no significant relationship between local revenues per pupil and poor status; not even in the year of significance for the local tax rate (1972-73). However, for rich children, there is a positive and significant relationship in every year, albeit a declining one.

State revenue per pupil is equalizing in the terms we defined above, i.e., opposite in sign to coefficients for local revenue per pupil, but insignificant except for the first year for wealthy pupils, where a weak relationship is evident. Interestingly enough, expenditures per pupil were significant for poor children in every year, but not for wealthy children.

Means by Categories of Percent Ethnic Enrolled

Tables 19 and 20 show that Chicanos and Black pupils in unified school districts are distributed quite differently. High percent Black areas are 100% urban while low percent Black areas are only 83% urban. Chicanos exhibit the opposite distribution among community types. Highest percent Chicano districts are only 76 percent urban, but the least percent Chicano areas are also low. Thus, compared to Chicanos, Blacks are highly urbanized. But Chicanos are more urbanized than one might have believed before examining the data.

TABLE 19

MEAN MODIFIED ASSESSED VALUATION PER PUPIL BY PERCENT CHICANO ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76

Percent Chicano Enrollment	Number of Districts N=253	Percent of Total ADA	Modified Assessed Valuation 1972-73	Modified Assessed Valuation 1973-74	Modified Assessed Valuation 1974-75	Modified Assessed Valuation 1975-76
Average			$ 14,033	$ 15,286	$ 16,308	$ 18,039
Significance			NS	NS	NS	NS
0 - 9.99	123	29.5	14,725	16,203	17,529	19,622
10 - 24.99	83	37.8	13,914	15,270	16,271	18,285
25.4 (L.A.)	2	21.9	14,656	15,604	16,220	17,113
26 - 49.99	31	8.1	10,776	11,764	12,785	14,197
50 or more	14	2.6	12,819	13,272	14,145	15,670

TABLE 20

MEAN MODIFIED ASSESSED VALUATION PER PUPIL BY PERCENT BLACK ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76

Percent Black Enrollment	Number of Districts (N=253)	Percent of Total ADA	Modified Assessed Valuation 1972-73	Modified Assessed Valuation 1973-74	Modified Assessed Valuation 1974-75	Modified Assessed Valuation 1975-76
Average			$ 14,033	$ 15,286	$ 16,308	$ 18,039
Significance			***	**	**	***
0 - 9.99	226	54	13,284	14,535	15,791	17,600
10 - 24.99	13	13	12,395	13,806	15,098	16,750
25.4 (L.A.)	1	22	14,650	15,597	16,209	17,097
26 - 49.99	9	7	21,028	23,193	23,299	27,714
50 or more	4	4	13,631	15,407	15,956	17,046

Significance levels:

* = .05
** = .01
*** = .001

Serrano Compliance

One of the early controversies in the Serrano v. Priest case concerned the degree to which wealth equalization would benefit ethnic minority and poor pupils. Tables 19 and 20 show that for the two largest ethnic minorities in California, there are no grounds for concluding that large percent minority districts were either rich or poor in terms of property wealth. Hence, reform measures which aimed merely to equalize revenues, expenditures, or other fiscal variables might have unexpected effects on minority ethnic groups. Only if Serrano were viewed as an opportunity to define compliance in such a way as to include ethnic minorities in the benefit class of the reform by investigating their peculiarities with respect to fiscal and economic variables would Serrano positively help and not set back the long-fought minority student gains.

Unfortunately, despite repeated attempts to include these kinds of considerations into the deliberations, the Legislature, the courts, and the litigants continued to insist upon keeping the issues simpler than such concerns would permit. Issues such as the cost differentials existing among districts, income distributions, disproportionate numbers of handicapped pupils and other maladies which seemed to be present more often around certain minority groups, were dismissed as issues which could be addressed after fiscal neutrality was constitutionalized.

Local Tax Relief

Several Black and Chicano statistics reveal opposite distributions. One of these is the local equalized tax rate when distributed across percent ethnic distribution categories. The greater the percent Black pupils, the higher the tax rate, but the greater

the percent Chicano enrollment, generally the lower the tax rate, although the relationship is not in every case monotonic and statistically significant. (See Tables 21 and 24). The 1972 reform reduced tax rates on local wealth on the average from $4.51 to $3.99 statewide, but in high percent Black districts, local tax rates fell by more than they did in high percent Chicano districts, precisely because of the effectiveness of the tax relief provisions of the reform bill. Moreover, high percent Black districts enjoyed more tax relief than low percent Black districts, while the reverse was true for districts of varying percent Chicano enrollment.

Increased State Share

A second goal of the 1972 reform, increased share of total revenue provided by the state was also opposite in its effects on Black and Chicano pupils. This time, however, Chicanos enjoyed the more favorable effects. Tables 22 and 25 show that if Los Angeles isexcluded, the greater the percent Chicano enrollment, the higher the percent state share of state and local revenues: but the greater the percent Black enrollment, the lower the percent state share. Moreover, the effect of the 1972 reform was to increase state shares more for highest percent Chicano districts than for highest percent Black districts. Lastly, the increase in state share was temporary for ethnic categories, as it was for earlier analyses, most likely explained by the fact that these were low wealth districts.

Revenue Limits

The provision of the reform law which prohibited the increase in local levies beyond some percentage of the "base year" revenues appeared to have affected more adversely districts that were highest in minority ethnic enrollment than those which were lowest in

TABLE 21

MEAN LOCAL EQUALIZED TAX RATE AND LOCAL REVENUE PER PUPIL BY PERCENT CHICANO ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICT: 1972-73 TO 1975-76

Percent Chicano Enrollment	Local Equalized Tax Rate	High-Low (High/Low)	Local Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	4.51		$ 673	
Significance	***		***	
0- 9.99	4.77		699	
10-24.99	4.59		617	
25.4 (L.A.)	4.01	$-0.45 (.906)	809	$ -157 (.775)
26-49.99	4.61		511	
50 or more	4.32		542	
----------Reform Law Passed----------				
1973-4 Average	3.99		$ 631	
Significance	ns		**	
0- 9.99	4.12		694	
10-24.99	3.97		602	
25.4 (L.A.)	3.94	$-0.34 (.917)	659	$ -168 (.757)
26-49.99	3.82		484	
50 or more	3.78		526	
1974-5 Average	4.24		$ 676	
Significance	***		***	
0- 9.99	4.29		731	
10-24.99	4.07		634	
25.4 (L.A.)	4.59	$-0.28 (.935)	751	$ -173 (.763)
26-49.99	3.94		507	
50 or more	4.01		558	
1975-6 Average	4.32		$ 761	
Significance	*		**	
0- 9.99	4.41		836	
10-24.99	4.26		735	
25.4 (L.A.)	4.40	$0.19 (.957)	783	$-193 (.769)
26-49.99	4.04		574	
50 or more	4.22		643	

Significance levels:

* = .05
** = .01
*** = .001

TABLE 22

MEAN STATE, STATE + LOCAL REVENUES PER PUPIL AND PERCENT SHARE OF STATE REVENUE BY PERCENT CHICANO ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76

Percent Chicano Enrollment	State Revenue Per Pupil	High-Low (High/Low)	Local + State Revenue Per Pupil	High-Low (High/Low)	% Share State Revenue
1972-3 Average	$ 353		$1006		35
Significance	***		***		***
0- 9.99	331		1030		32
10-24.99	351		968		36
25.4 (L.A.)	282	$39	1091	$ -118	26
26-49.99	385	(1.12)	896	(.885)	43
50 or more	370		912		41
----------Reform Law Passed----------					
1973-4 Average	$ 500		$1131		44
Significance	***		***		***
0- 9.99	477		1172		41
10-24.99	528		1129		47
25.4 (L.A.)	443	$98	1102	$-70	41
26-49.99	588	(.98)	1072	(.940)	55
50 or more	575		1102		52
1974-5 Average	$ 531		$1207		44
Significance	***		***		***
0- 9.99	505		1236		41
10-24.99	557	$106	1191	$-67	47
25.4 (L.A.)	476	(1.21)	1227	(.946)	39
26-49.99	628		1135		55
50 or more	611		1169		52
1975-6 Average	$ 593		$1354		44
Significance	***		***		
0- 9.99	557		1394		40
10-24.99	612		1348		46
25.4 (L.A.)	556	$141	1338	$-53	42
26-49.99	702	(1.25)	1275	(.962)	55
50 or more	698		1341		52

Significance levels:

* = .05
** = .01
*** = .001

TABLE 23

MEAN TITLE I, FEDERAL, AND TOTAL REVENUES PER PUPIL BY PERCENT CHICANO ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICT: 1972-73 TO 1975-76

Percent Chicano Enrollment	Title I Revenue Per Pupil	High-Low (High/Low)	Federal Revenue Per Pupil	High-Low (High/Low)	Total Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	$ 27		$ 81		$1090	
Significance	***					
0- 9.99	17		74		1107	
10-24.99	27		80		1051	
25.4 (L.A.)	41	$21 (2.24)	100	$ 6 (1.08)	1191	$ -109 (.901)
26-49.99	25		62		960	
50 or more	38		80		998	
----------Reform Law Passed----------						
1973-4 Average	$ 30		$ 75		$1208	
Significance	***					
0- 9.99	19		71		1245	
10-24.99	30		79		1212	
25.4 (L.A.)	46	$21 (2.11)	80	$ 4 (1.05)	1183	$ -64 (.948)
26-49.99	25		59		1132	
50 or more	40		75		1181	
1974-5 Average	$ 29		$ 92		$1301	
Significance	***					
0- 9.99	19		83		1321	
10-24.99	31		93		1286	
25.4 (L.A.)	41	$22 (2.16)	106	$ 1 (1.01)	1333	$ -62 (.953)
26-49.99	28		79		1216	
50 or more	41		84		1259	
1975-6 Average	$ 30		$ 91		$1449	
Significance	***					
0- 9.99	20		81		1475	
10-24.99	31		96		1453	
25.4 (L.A.)	41	$22 (2.10)	98	$ 22 (1.27)	1436	$ -27 (.98)
26-49.99	28		83		1361	
50 or more	42		103		1448	

Significance levels:

* = .05
** = .01
*** = .001

TABLE 24

MEAN LOCAL EQUALIZED TAX RATE AND LOCAL REVENUE PER PUPIL BY PERCENT BLACK ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76

Percent Black Enrollment	Local Equalized Tax Rate	High-Low (High/Low)	Local Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	4.51		$ 673	
Significance	***		***	
0- 9.99	4.58		596	
10-24.99	4.62	$0.82	597	$130
25.3 (L.A.)	4.01	(1.18)	809	(1.22)
26-49.99	4.85		952	
50 & above	5.40		726	
		Reform Law Passed		
1973-74 Average	3.99		$ 631	
Significance	***		***	
0-9.99	3.89		588	
10-24.99	3.99	$0.78	556	$177
25.3 (L.A.)	3.94	(1.20)	659	(1.30)
26-49.99	4.62		966	
50 & above	4.67		765	
1974-5 Average	4.24		$ 676	
Significance	***		***	
0-9.99	4.08		626	
10-24.99	3.98	$0.99	605	$134
25.3 (L.A.)	4.59	(1.24)	751	(1.21)
26-49.99	4.43		944	
50 & above	5.07		760	
1975-76 Average	4.32		$ 761	
Significance	***		***	
0-9.99	4.25		722	
10-24.99	4.22	$0.87	708	$170
25.3 (L.A.)	4.40	(1.20)	783	(1.24)
26-49.99	4.36		1,056	
50 & above	5.12		892	

Significance levels:

* = .05
** = .01
*** = .001

78

TABLE 25

MEAN STATE AND STATE + LOCAL REVENUE PER PUPIL AND PERCENT SHARE OF STATE REVENUE BY PERCENT BLACK ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76

Percent Black Enrollment	State Revenue Per Pupil	High-Low (High/Low)	State + Local Revenue Per Pupil	High-Low (High/Low)	% Share State Revenue
1972-3 Average	$333		$ 1,006		29%
Significance	***		***		***
0- 9.99	351		948		33
10-24.99	340		937		32
25.3 (L.A.)	282	$ 5 (1.01)	1,091	$135 (1.14)	20
26-49.99	325		1,276		19
50 & above	356		1,083		29
		Reform Law Passed			
1973-4 Average	$500		$1,131		37%
Significance	***		***		***
0- 9.99	517		1,105		41
10-24.99	502		1,058		40
25.3 (L.A.)	443	$35 (1.07)	1,102	$213 (1.19)	29
26-49.99	512		1,478		25
50 & above	552		1,318		31
1974-5 Average	$531		$1,207		36%
Significance	***		***		***
0- 9.99	547		1,173		40
10-24.99	534		1,139		38
25.3 (L.A.)	476	$47 (1.09)	1,227	$180 (1.15)	28
26-49.99	534		1,479		27
50 & above	594		1,353		32
1975-6 Average	$593		$1,354		35%
Significance	*		***		**
0- 9.99	601		1,323		39
10-24.99	593		1,301		36
25.3 (L.A.)	556	$81 (1.13)	1,338	$251 (1.19)	30
26-49.99	593		1,649		26
50 & above	682		1,574		32

Significance levels:

* = .05
** = .01
*** = .001

ethnic minorities. The local portion of the state and local revenue figure previously discussed was higher, the higher the percentage of Black enrollment and the lower the percentage of Chicano enrollment. This reflects the greater concentration of Blacks in urban areas where tax bases are generally higher. The local revenue disparity comparing districts of high and low percent Chicano in 1972-73 was -$157. It grew to -$168 by 1973-74 and to -$193 by 1975-76. For Blacks, the low-to-high disparity was +$130 in 1972-73 and +$177 in 1973-74. By 1975-76 it was +$170. In terms of the purely fiscal effects of the law, the revenue limit appeared to have been disequalizing when Black and Brown categories are analyzed. But as observed earlier, fiscal "equality" is a difficult concept to comprehend when ethnic and poor minorities are included in the analysis. Input measures alone do not permit pursuit of the most important aspect of the issues as they relate to minority ethnic and income groups.

Federal Revenue

In the purely fiscal sense, federal revenue tends to be equalizing for Chicanos in that it somewhat offsets local revenue raising incapacity. Blacks have a local revenue raising advantage when compared to Chicanos (and Anglos) and federal revenue exacerbates their advantage. The reason for this observation, undoubtedly, is the fact that approximately half of the federal revenue contribution is derived from Title I of the Elementary and Secondary Education Act for both Blacks and Chicanos. (See Table 23.)

Total Revenue

Table 26 presents data on the mean total revenue for percent Black pupils for 1972-76. After the reform law, Black pupils increased

on the average by $118 per pupil and $359 per pupil three years later in 1975-76. Similar to the other ethnic groups, Black pupils increased in total revenue.

Means by Quintiles of Family Income

The property wealth quintile analysis undertaken in previous discussion is the most frequently used measure of ability to pay. Another, which is more frequently recommended than actually used, is mean family income. While large numbers of writers on school finance reform agree that an income measure (or at least an income weighted wealth measure) is superior in many ways to a property wealth measure, inadequate availability of data on family income by local area curtails their usability.

Demographic Characteristics

Tables 27 - 31 provide yet another perspective on the effects of reform legislation. Quintiles of pupils by family income were computed as nearly as possible and the means of each quintile tabulated. The equalizing influence of the legislation was examined in terms of its own intent language.

Table 27 shows that the higher the level of mean family income in the district, the lower the percent of both Blacks and Chicanos, and, generally speaking, the higher the percent urban. The table also reveals that the poorest quintile contained the largest number of districts, indicating that most poor districts are small in terms of ADA count.

Tax Relief

Prior to the reform, there was no consistent pattern in the relationship between the mean income of districts and the mean local tax rate, as evidenced in Table 28. The reform lowered the level of

taxes for the majority of districts, but in the first year did little to establish a pattern. A pattern of lower tax rates for lower income districts was visible by 1974-75 and even more so by 1975-76. In a purely fiscal sense, the reform was, to that extent, equalizing with respect to tax relief by income class.

Revenue Limits

The reform did not explicitly intend to equalize in terms of district mean income, because the measure of capacity or ability to pay was expressed in terms of mean wealth. The method used to equalize educational inputs in terms of wealth differentials was to outlaw revenue increases beyond a state mandated rate based on base year expenditures. If expenditures, like wealth, are positively related to local income, an equalizing effect is indicated by the reduction in the ability to raise more revenues in higher income districts.

The data in Table 28 seem to show that the higher the mean income, the higher the local revenue per pupil in the year before the reform, and that the reform did not interrupt this trend. The reform was, therefore, not equalizing in this regard. SB 90 was certainly equalizing in the short run for tax relief, but revenue limits were much less influenced by the reform when analyzed by income categories.

State Share

State revenue per pupil decreased as mean family income increased in 1972-73 and after the reform. An equalizing increase in state revenue would offset the local tendency for revenue to rise, the higher the level of mean family income in 1972-73. The increasing negative disparity in state revenue evident in Table 29 between low and high revenues per pupil thus was an equalizing effect.

Federal Revenues

Prior to SB 90, as mean family income increased, Title I revenue and total federal revenue per pupil decreased, with the exception of Los Angeles, as seen in Table 30. In subsequent years, the inverse relationship between these two variables grew in magnitude. SB 90, then, did nothing to affect the role of federal revenue.

Total Expenditure by Family Income

Table 31 presents mean family income by quintiles and how it is related to total general fund expenditures. In general, there tends to be no consistent relationship between total general fund expenditures and mean family income.

TABLE 26

MEAN TITLE I, FEDERAL, AND TOTAL REVENUE PER PUPIL BY PERCENT BLACK ENROLLMENT IN CALIFORNIA UNIFIED SCHOOL DISTRICTS: 1972-73 TO 1975-76.

Percent Black Enrollment	Title I Revenue	High-Low (High/Low)	Federal Revenue Per Pupil	High-Low (High/Low)	Total Revenue, Per Pupil	High-Low (High/Low)
1972-3 Average	$ 27		$ 81		$1,090	
Significance	***		***		***	
0- 9.99	17		56		1,006	
10-24.99	27		106		1,049	
25.3 (L.A.)	41	$47	100	$107	1,191	$245
26-49.99	46	(3.76)	128	(2.91)	1,409	(1.24)
50 & above	64		163		1,251	
		Reform Law Passed				
1973-4 Average	$ 30		$ 75		$1,208	
Significance	***		***		***	
0-9.99	17		54		1,161	
10-24.99	33		111		1,172	
25.3 (L.A.)	46	$58	81	$107	1,182	$328
26-49.99	50	(4.41)	124	(2.98)	1,604	(1.28)
50 & above	75		161		1,489	
1974-5 Average	$ 29		$ 92		$1,301	
Significance	***		***		***	
0-9.99	19		65		1,240	
10-24.99	36		130		1,272	
25.3 (L.A.)	41	$53	106	$107	1,333	$291
26-49.99	48	(3.79)	159	(2.65)	1,640	(1.23)
50 & above	72		172		1,531	
1975-6 Average	$ 30		$ 91		$1,449	
Significance	***		***		***	
0- 9.99	19		68		1,397	
10-24.99	36		137		1,441	
25.3 (L.A.)	41	$56	98	$101	1,436	$352
26-49.99	49	(3.95)	145	(2.49)	1,795	(1.25)
50 & above	75		169		1,749	

Significance levels:

* = .05
** = .01
*** = .001

TABLE 27

DEMOGRAPHIC CHARACTERISTICS OF QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MEAN FAMILY INCOME: 1973-74

Mean Family Income (Quintiles)[a]	Percent Black Student Enrollment	Percent Chicano Student Enrollment	Percent Urban Student Enrollment	Number of Districts
1973-4 Average	13%	18%	91%	
Significance	***	***	**	
less than $10,469	11	19	81	126
$10,470 - $11,724	15	21	92	48
$11,725 - $12,400	9	13	96	30
$12,404 (L.A.)	25	25	90	1
$12,700 or more	4	9	95	48

[a]Each quintile contains, as nearly as possible, one-fifth of all pupils in average daily attendance in the state.

Significance levels:
* = .05
** = .01
*** = .001

TABLE 28

MEAN LOCAL EQUALIZED TAX RATE AND LOCAL REVENUE PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MEAN FAMILY INCOME: 1972-73 TO 1975-76

Mean Family Income (Quintiles)[a]	Local Equalized Tax Rate	High-Low (High/Low)	Local Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	4.51		$673	
Significance	***			
less than $10,449	4.64		507	
$10,450-$11,704	4.47	0.12	596	210
$11,705-$12,549	4.71	(1.03)	737	(1.41)
$12,404 (L.A.)	4.09		779	
$12,550 or more	4.76		717	
----------Reform Law Passed----------				
1973-4 Average	3.99		$631	
Significance	*			
less than $10,469	3.72		493	
$10,470-$11,724	4.02	0.39	595	211
$11,725-$12,699	4.23	(1.10)	712	(1.43)
$12,404 (L.A.)	3.90		645	
$12,700 or more	4.11		704	
1974-5 Average	4.24		$676	
Significance	***			
less than $10,469	3.92		530	
$10,470-$11,719	4.01	0.48	621	223
$11,720-$12,599	4.28	(1.10)	737	(1.42)
$12,404 (L.A.)	4.56		724	
$12,600 or more	4.30		753	
1975-6 Average	4.32		$761	
Significance	**			
less than $10,469	4.08		610	
$10,470-$11,719	4.25	0.32	713	254
$11,720-$12,599	4.38	(1.08)	848	(1.42)
$12,404 (L.A.)	4.42		766	
$12,600 or more	4.40		864	

[a]Each quintile contains, as nearly as possible, one-fifth of all pupils in average daily attendance in the state.

Significance levels:
* = .05
** = .01
*** = .001

TABLE 29

MEAN STATE REVENUE, STATE + LOCAL REVENUE, AND PERCENT STATE SHARE OF REVENUE PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MEAN FAMILY INCOME: 1972-3 TO 1975-76

Mean Family Income (Quintiles)[a]	State Revenue Per Pupil	High-Low (High/Low)	Local + State Revenue Per Pupil	High-Low (High/Low)	% State Share or Revenue
1972-3 Average	$333		$1006		33
Significance	***		***		***
less than $10,449	384		892		43
$10,450-$11,704	340	-58	935	152	36
$11,705-$12,549	333	(.85)	1071	(1.17)	31
$12,404 (L.A.)	282		1091		26
$12,550 or more	326		1044		31
----------Reform Law Passed----------					
1973-4 Average	$500		$1131		44
Significance	**		**		***
less than $10,469	582		1075		54
$10,470-$11,724	509	-110	1104	101	46
$11,725-$12,699	492	(.81)	1205	(1.09)	41
$12,404 (L.A.)	443		1102		40
$12,700 or more	472		1176		40
1974-5 Average	$530		$1207		44
Significance	***		**		***
less than $10,469	618		1148		54
$10,470-$11,719	540	-126	1161	107	47
$11,720-$12,599	523	(.80)	1261	(1.08)	42
$12,404 (L.A.)	476		1127		39
$12,600 or more	492		1245		40
1975-6 Average	$593		$1354		44
Significance	**		**		***
less than $10,469	669		1279		52
$10,470-$11,719	612	-116	1325	138	46
$11,720-$12,599	565	(.83)	1413	(1.11)	40
$12,404 (L.A.)	556		1338		47
$12,600 or more	553		1417		39

[a] Each quintile contains, as nearly as possible, one-fifth of all pupils in average daily attendance in the state.

Significance levels:
* = .05
** = .01
*** = .001

87

TABLE 30

MEAN TITLE I, FEDERAL, AND TOTAL REVENUE PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS, RANKED BY MEAN FAMILY INCOME: 1972-73 TO 1975-76

Mean Family Income (Quintiles)[a]	Title I Revenue Per Pupil	High-Low (High/Low)	Federal Revenue Per Pupil	High-Low (High/Low)	Total Revenue Per Pupil	High-Low (High/Low)
1972-3 Average	$ 27		$ 81		$ 1090	
Significance	***		***		***	
less than $10,449	30		102		998	
$10,450-$11,704	29	$-20 (.33)	93	$-67 (.34)	1032	$82 (1.08)
$11,705-$12,549	25		76		1149	
$12,404 (L.A.)	41		100		1191	
$12,550 or more	10		35		1080	
----------Reform Law Passed----------						
1973-4 Average	$ 30		$ 75		$ 1208	
Significance	***		***		NS	
$ 5,000-$10,469	33		93		1183	
$10,470-$11,724	32	$-21 (.36)	92	$-60 (.35)	1199	$28 (1.02)
$11,725-$12,699	26		69		1275	
less than $5,000 (L.A.)	47		81		1182	
$12,700 or more	12		33		1211	
1974-5 Average	$ 29		$ 92		$ 1301	
Significance	***		***		NS	
$ 5,000-$10,469	38		114		1267	
$10,470-$11,719	34	$-27 (.28)	114	$-75 (.34)	1278	$18 (1.01)
$11,720-$12,599	25		84		1346	
less than $5,000 (L.A.)	41		106		1333	
$12,600 or more	11		39		1285	
1975-6 Average	$ 30		$ 91		$ 1449	
Significance	***		***		NS	
$ 5,000-$10,469	38		119		1415	
$10,470-$11,719	34	$-26 (.31)	117	$-76 (.36)	1444	$46 (1.03)
$11,720-$12,599	25		81		1495	
less than $5,000 (L.A.)	41		59		1436	
$12,600 or more	12		43		1461	

[a]Each quintile contains, as nearly as possible, one-fifth of all pupils in average daily attendance in the state.

Significance levels:
* = .05
** = .01
*** = .001

TABLE 31

MEAN TOTAL GENERAL FUND EXPENDITURES PER PUPIL FOR QUINTILES OF PUPILS IN CALIFORNIA UNIFIED DISTRICTS RANKED BY MEAN FAMILY INCOME: 1972-73 TO 1975-76

Mean Family Income (Quintiles)[a]	Total General Fund Expenditures Per Pupil	High-Low (High/Low)
1972-3 Average	$1,033	
Significance	**	
less than $10,449	1,042	
$10,500-$11,704	973	
$11,705-$12,403	1,004	-$9
$12,404 (L.A.)	1,111	(.991)
$12,550 or more	1,033	
----------Reform Law Passed----------		
1973-4 Average	$1,174	
Significance	*	
less than $10,469	1,187	
$10,470-$11,724	1,128	
$11,725-$12,403	1,140	-$26
$12,404 (L.A.)	1,250	(.978)
$12,700 or more	1,161	
1974-5 Average	$1,288	
Significance	NS	
less than $10,469	1,311	
$10,470-$11,719	1,244	
$11,720-$12,403	1,271	-$42
$12,404 (L.A.)	1,340	(.968)
$12,600 or more	1,269	
1975-6 Average	$1,398	
Significance	NS	
less than $10,469	1,394	
$10,470-$11,719	1,366	
$11,720-$12,403	1,395	-$2
$12,404 (L.A.)	1,441	(.999)
$12,600 or more	1,392	

[a]Each quintile contains, as nearly as possible, one-fifth of all pupils in average daily attendance in the state.

Significance levels:
* = .05
** = .01
*** = .001

CONCLUSIONS AND RECOMMENDATIONS

This study has examined the California School Finance Reform Law passed in 1972-73 and its effect on disadvantaged children in California.

The research questions on which this study attempts to shed light are:

1. To what extent are ethnic and income groups isolated by school district boundaries? Are ethnic and income groups concentrated in a few districts or are they widely distributed among many districts?
2. To what extent is the level of revenue available for education related to district wealth before and after the reform?
3. What disparities exist among the major ethnic and income groups in mean educational revenues and expenditures?
4. To what extent are the changes in resources available to poor and minority schools and districts with the passage of the reform legislation equalizing or nonequalizing?
5. How can we account for the differences in educational revenue available to different ethnic and income groups?

Previous summaries of chapters have answered most of these questions. Black students tend to be much more concentrated in a few large urban districts, while Brown students are dispersed throughout all kinds of districts, from the largest urban to the smallest rural district.

In general, California has experienced a mild positive reform in financing of their public schools when SB 90 was implemented in 1972-73. However, the reform has continued the trends and basic

financing system entact prior to the reform legislation.

We discovered a high and positive correlation between wealth per pupil and state and local revenue per pupil which was not significantly changed by the reform law. This finding results largely from the degree of save harmless contained in the bill. The time it would take to actually begin to reduce the disparities was calculated at a minimum of twenty years and, because of the voted override provisions left in the law, rich districts could conceivably never converge on the spending levels of the poorer districts. The trial judge found this so disheartening that he outlawed SB 90 as an inadequate legislative response.

Our wealth quintile analysis confirmed these findings. Before and after the reform, the higher the wealth quintile, the greater the state and local revenues that were available to districts (despite the fact that the state revenue available was equalizing in that it declined in proportion to wealth).

The major features of the reform law basically raised the foundation levels of all districts by increasing the percentage of state aid. Also urban adjustments were made to channel more funds to urban districts. The expenditure limits had very little effect on equalization since rich districts could vote to raise taxes and spend more local funds. The results of these major features in SB 90 tended to reduce overall disparities in terms of total revenue and expenditures. This was accomplished basically by increasing the state share.

Negative and significant Pearson coefficients were found in each year between percent Black and Asian, and state revenue per pupil and expenditures per pupil. Indeed, the Black student coef-

ficient for state revenue increased in significance after the reform. Chicano and Anglo students, on the other hand, have practically the exact opposite pattern of coefficients: the relation between ethnicity and state revenue and expenditures per pupil is insignificant and positive for both, and insignificant and negative between percent Chicano and expenditures. Percent Anglo and expenditures are also negatively correlated, and significant (Table 13).

What all this means, of course, is that the state has traditionally provided less equalization aid to Blacks and Asians than to Anglos and Chicanos. Nevertheless, local revenue raised in Black and Asian districts has been sufficient to offset the lesser amounts of state subventions, causing expenditures and ethnicity to register as highly significant and positive coefficients for Black and Asian students.

Disadvantaged children in the urban districts fared better in total per pupil expenditures and raising of total revenue before and after the reform. The reform law tended to drive more state funds into the large cities while lowering their tax effort. The net effect is an attempt towards equitable expenditures for disadvantaged youths in urban areas. However, the increases were not substantial either prior to nor after the reform law.

Disadvantaged children, mainly poor Chicano, Anglo and limited English speaking students, in rural districts, were penalized on all equalization measures. There were no provisions for equitable spending in the rural counties and districts.

The irony of the reform, of course, is that the "equalizing" effect is adverse to those minority groups who happen to live in property-rich districts. From the preceding observations, we

can see that these are Blacks and Asian American students. Because they tend to live in highly urbanized areas, many of which are declining in enrollment, their wealth per pupil appears to be high, although they are often less well off than many of the others in terms of income per person. Equalization will, practically speaking, be beneficial to Chicanos and Anglos and harmful to Blacks and Asians. Most of this difference is accounted for by geographic locale.

The inevitability of harmful effects from most equalization schemes on Blacks and Asian students can be countermanded only through deliberate efforts at maintaining programs designed to aid their learning by means of categorical aid or pupil weightings with a factor highly correlated with these ethnic groups such as "urban status." On the other hand, equalization schemes should benefit Anglos and Chicanos who are in non-urban settings directly. Urban dwelling Chicanos can be helped by the categorical aid or pupil weighting approach. Chicanos, in particular and some Asians can also be assisted with the enlargement of the currently woefully underfunded bilingual education program.

Equalization of the sort required by Serrano is, of course, only a first step toward the broader concept of "equity." Once the equal base has been established, those students needing more services must be identified and provided these services through additional programs. Such "inequalities" established for educational reasons were not outlawed by the court. Only irrational and non-education reasons, such as amount of district property wealth, were outlawed. On the way to equity, several pitfalls are certain to be encountered, producing the kind of ironical results from policy changes of the sort

reported herein. If any assistance is forthcoming from these findings to prevent a Serrano solution from reducing educational revenue for minorities in its attempts to equalize wealth, this study will have served its purpose.

Appendix A

Summary of California School Finance Reform Proposals

Appendices A and B give a summary overview of school finance reform proposals from 1961 to 1977-78. These summaries do not include any of the most recent school finance findings related to Proposition 13 which will clearly affect the school financing system in California.

1. Statewide Property Tax

A statewide property tax had been proposed in eleven (11) major school finance bills between 1961 and 1972. Before Serrano, this notion was defeated in AB 1406 (Greene), and immediately after Serrano I it was reintroduced practically verbatim as SB 212 (Dent).

(a) Amounts of Funding

1) Total Amount. SB 212 created little new funding. Essentially a redistribution scheme, it reapportioned more benefits than it created. The bulk of the reapportionment, of course, would benefit school districts with less wealth.

2) By Program Type.

a) Foundation Program. SB 212 increased the foundation level minimums from the 1972 level of $335 per ADA in elementary schools to $550 per ADA. The cost associated with this raise was reasonably low. Raising all districts in California to the amounts spent by the highest 10% would have amounted to $1.382 billion. Of course, SB 212 made no such proposal.

---

[1] Arnold J. Meltsner and Robert Nakamura, "Political Implications of Serrano," in John Pincus (ed.) School Finance in Transition: The Courts and Educational Reform, (Cambridge: Ballinger Publishing Co.), pp. 257-86.

b) Type of Formula. SB 212 substituted a uniform statewide levy for the complicated set of levies in existence in 1972. These included the required local effort known as the "computational tax rate," a local tax rate and a number of local overrides, some requiring voter approval, some requiring only district board approval. The uniform statewide levy was phased in over a five-year period. Each year, districts that taxed themselves in excess of the statewide rate established by the bill, with the total set of taxes mentioned above, would be able to reduce their local tax rates and overrides gradually until the total reached the statewide rate.

2. The Watson Initiative Constitutional Amendment[2]

(a) Amounts of Funding

Another perennial reform measure was proposed by Los Angeles County Assessor Phillip Watson. It had failed to obtain sufficient legislative support prior to Serrano I, but the ruling gave him the justification he needed to introduce it as a statewide constitutional amendment on an initiative ballot which qualified for the ballot, but which was defeated in the November 1972 elections.

---

[2]California Legislature, Assembly Committee on Revenue and Taxation Facts About the Watson Initiative, a preliminary report, December 26, 1971 and Benson, et al., Final Report to the Senate. Select Committee on School District Finance, June 12, 1972.

Not only did the Watson Amendment not create new funding, it would have actually reduced state support by $771 million by cutting and freezing the local property tax rate at $2 per hundred for schools (K-12). It contained no means by which to offset the cuts with increases from state revenues. Moreover, it denied the voters and legislators the power ever to increase the rate. It left the problem of replacing the cuts to the creativity of the legislators, which accounted in part for its lack of legislative appeal.

3. State Board Bill

One other statewide property tax bill introduced at this time was SB 1171 (Teale) for the State Board of Education. Since this was reintroduced in the 1973-74 session as AB 720/SB 383 it will be discussed later.

4. The Gross Receipts Tax

(a) Total Amount. SB 102 (Collier) proposed a gross receipts tax which would have brought in $4 billion and would have increased the state's share of the education bill from the current 35% to 100%; but since it replaced the sales tax, it did not provide significantly more money by means of this substitution. The proposal also eliminated the local residential property tax and augmented gross receipts with a statewide business property tax on non-residential property.

5. District Power Equalizing

The purest district power equalizing program ever proposed by the Legislature was a result of a study commissioned by the

Senate Select Committee on school district finance.[3] Dr. Charles Benson of the University of California at Berkeley was the staff consultant.

(a) Amount of Funding.

1) Total Amount. The total net dollars in the law were not new but recaptured from the wealthier districts, and the law even produced a net savings.

2) By Program Type. The bill phased in a statewide tax rate of $3.87 for a minimum expenditure on a statewide schedule over the period 1974-75 to 1983-84, with a minimum expenditure of $1689. It required by 1984 that all expenditure be financed by a local rate of .0518 per $100 assessed valuation for every additional $20 per pupil that the district wished to raise up to a maximum add-on level of $2250 (at $1.5827 local and $3.87 statewide tax). Districts raising more than the schedule would lose money through recapture.

6. The Santa Cruz Plan

AB 1283 (Arnett) resulted from a planning group that met in Santa Cruz called the Santa Cruz Committee on Funding Education.[4] The statement released in March 1972 and reaffirmed as the modified Santa Cruz Plan in October 1974[5] provided for a gradual

---

[3] Ibid.

[4] Santa Cruz Committee on Funding Education, "Policy Statement on School Finance," March 27, 1972.

[5] Idem, October 8, 1974.

five-year implementation toward compliance with Serrano by means of a progressive computational shift of assessed value between school districts and a wealth equalizing fund. Local property taxes would be reduced through expenditure limits and through raising the level of statewide support from the State General Fund.

(a) Amount of Funding. The amount of new funding under the Santa Cruz Plan was not entirely determinate. The plan set guaranteed dollar amounts, which, by 1979-80, would be different for different levels of districts for the same relative tax effort. However, the amounts were left up to the Legislature and only ranges were suggested. Moreover, an inflation adjustment was proposed for automatic update each year.

1) By Program Type. Equalization would be achieved by sharing the tax base assets of wealthier districts with poorer districts through mandatory computational pooling and redistribution of 20% of each district's non-residential assessed valuation in 1975-76, and increasing it by 20% per pupil until all the districts shared. Each district could also voluntarily place a percentage of its ADA in an ADA pool equal to the percentage of its total assets pro rata in proportion to the ADA it inserted.

Some of the problems which caused this plan to fail were 1) the absence of a breakdown of data on residential and non-residential assessed valuation,

which was needed to determine the true impact of that provision on statewide costs; and 2) the voluntary nature of ADA pooling produced uncertainty.

7. Willie Brown's Need Factor

The chairman of the Assembly Ways and Means Committee during the immediate post-Serrano I period, was a legislator from San Francisco, a district which stood to lose millions under practically every wealth equalizing proposal that ignored the special problems of urban districts. San Francisco ranked high above the average district in terms of the official measure of wealth, but also above average in terms of needs and costs, and below average in terms of family income.

Assemblyman Brown's solution was a "needs factor" bill (AB 1876) which administered the basic education grant from the state.

(a) Amount of Funding.

1) Total Amount. New state money according to staff estimates would amount to $1.3 billion for basic grants and $400 million for the need factor.

2) By Program Type. The need factor adjusted the basic education grant by factors which measured the presence of language handicapped, disadvantaged (as measured by AFDC), student transiency and teacher mobility. The factored supplements would not be general aid, but entitlements accruing to those districts which submitted applications with plans and procedures to improve education for low income students. Where improvement was not

evident, the district would lose its entitlement.

When it was evident that his bill had little chance for success, Assemblyman Brown required that any bill expected to pass through his key committee would have to include his factor formula. SB 90, which is discussed next, complied with that requirement, albeit at much less cost.

Appendix B

Post-Serrano Reform Efforts in the Legislature

Judge Jefferson, in his opinion in Serrano I, struck down SB 90 as an inadequate attempt at equalization. The time it would take to equalize district spending was estimated at thirty years, or perhaps longer, because of the voted override feature and because it failed to deal with the inequities in the system such as basic aid, which goes to rich as well as poor districts.

Striking down of SB 90 prompted a number of new proposals, some of which again only revived old ideas, but many of which were genuinely fresh.

1. The State Board Bill

The State Board of Education Bill, mentioned above, which was introduced as SB 1171 (Teale) in 1972 was revived as AB 720 (Greene) and SB 383 (Rodda). It provided for a statewide property tax and a district power equalizing formula above the "quality level," a new name given to the foundation level but with a new twist. It also included categorical aid for transportation, meals for needy pupils, bilingual education monies, and new funding for Early Childhood Education and the Educationally Disadvantaged Youth Program (Willie Brown's factor approach). It also changed the pupil count in the funding formulas from ADA to average daily membership (ADM), which was welcomed by urban districts, who were penalized under the ADA count by high truancy rates. Districts must provide services on the basis of enrollment counts, whether or not pupils are present or truant.

(a) Amounts of Funding.

1) Total Amounts. According to a computer simulation model, the total change in state aid due to AB 720/SB 383 was $39,392,000 for 1976-77. After that year, however, it fell progressively. By 1979-80, the increase required was only $36,919,952.

2) By Program Type: AB 720/SB 383 replaced the foundation level with a quality level of support which was considerably higher ($1120 per elementary pupil compared with $888 per elementary pupil under SB 90). More importantly, it had derived this "quality level" of support by actually pricing out the cost of education in California rather than simply providing a "computational" minimum which bore no relationship to costs.

After a five-year phase-in period, the per pupil amounts would be expected to be at the quality level for all districts with no local tax effort. Instead, a statewide property tax of $4 would be levied by the state against all districts, and phased in at $.80 a year, while the computational tax rate would decline proportionately.

AB 720/SB 383 also repealed the basic aid provision of the Education Code, which guarantees to all districts $120 per pupil regardless of the wealth of the district. It also required that, after 1975-76, districts with revenue limits above 150% of the quality level could only increase revenue limits by voter approval. Districts with revenue limits less than the quality level could increase up to that level immediately, and were required to do so by the end of the five-year phase-in.

Tax rates were equalized by a computational leveling of assessed values per pupil. After the phase-in, the required local effort to raise one dollar per pupil in revenue above the quality level would be based on the assumption that district wealth was equal to the state average. In the first year, all districts with wealth per pupil greater than that necessary to raise the 90th percentile or less than the 10th percentile would be credited with a wealth equal to the 90th and 10th percentiles, respectively. Districts lying between these parameters would use their local wealth to raise revenues above the quality level. Each year, the equalization bands would spread, first to 80th and 20th percentiles, then to 70th and 30th, until, finally in the fifth year, all

districts would be credited with the state average for their type of district.

The State Board plan would have been a complete solution to Serrano, but its proponents were too few in number. It failed to pass the 1973-74 legislative session.

Legislation which did pass successfully through the 1973-74 session was in the nature of "clean-up" or "trailer" bills for SB 90's technical failings and eventual fiscal inadequacies. AB 1267 was the 1973-74 trailer, and later bills upgraded the state's share and introduced better equalization measures. Some of these later efforts will be discussed below.

2. Subsequent Reform Attempts.

The years intervening between the striking down of SB 90 in Serrano I and the eventual proposal which directly addressed Serrano II, and which is currently law (AB 65, Greene), saw a lot of activity in support of reform, encouraged by both Governor Brown and the Speakers of both Houses, McCarthy and Mills.

The public activity took the form of task forces on school finance and tax reform appointed by Speaker McCarthy.[1] The work of both groups was voluminous, so only a brief reference

[1] Task Force - Serrano/Priest Tax Reform, Agenda, August 27, 1976 (mimeo).

to the school finance task force can be made here.

The Speaker's Task Force on School Finance was directed to "...(1) Gather whatever data is necessary and develop required simulation models which are necessary in order to analyze and display the impact of alternative Serrano v. Priest proposals on different types of taxpayers and school districts, and (2) to develop alternative reform proposals for consideration by the Legislature in January including pertinent information."[2]

In September 1976, the Task Force divided itself into subcommittees to consider the following possible Serrano reforms:

(1) Full state assumption, educational vouchers, state assumption of teachers' salaries.

(2) Wealth equalization, district power equalization, county-regional equalization, percentage equalization schemes, variable computational tax rates, stratified equalization according to district size.

(3) Split roll assessment roll with power equalizing, split roll without power equalizing, state tax on future assessment growth.

(4) Other: Future state funds through homeowner/renter tax relief, redefinition of the state's fundamental interest in the constitution, validation of the present law.

---

[2] Ibid.

Clearly, the plan was to reevaluate all of the potential solutions to Serrano and to choose those which appeared politically viable.

Three reforms received the most consideration:

(1) A countywide tax, as a first step toward a statewide tax (AB 2896, Greene)

(2) Split roll assessment, i.e., differing residential and non-residential rates

(3) Wealth pooling devices which would require freezing tax rates in high wealth districts and the establishment of a minimum tax rate for recapture purposes (SB 809, Campbell).

Despite the extensive research of these proceedings, the Governor ultimately ignored all of the task force recommendations and developed a plan which was completely different. The Governor's bill, which was carried by the Chairman of the Assembly Education Committee, AB 65 (Greene), is the subject of the next section of the study.

Appendix C

The Recent Reform Law (AB 65)

While the most recent law in California is the result of post-Serrano II activity, that law is so recent no empirical data is available to report in this study. As a result, while the provisions of that legislation will be explained in this section, it will actually be SB 90, the Legislature's response to Serrano I, which will be the focus of the empirical part of the study below.

1. Financial Provisions of AB 65

AB 65 was passed by the Legislature on September 2, 1977, but tax rates for 1977-78 were set on September 1, 1977. As a result, most of the general finance provisions do not take effect until 1978-79, including increases in foundation levels and revenue limits, and the provisions governing tax relief and wealth equalization. However, categorical aid provisions and a one-time grant to compensate for the delay in equalization aid to districts do take effect immediately.

2. Foundation Levels

Foundation program amounts increased by $75 per ADA for 1977-78. Because of the delay in implementation of the bill, they will jump by $154 for 1978-79, and will increase by another $119 for 1979-80. Thereafter, the foundation program amounts will increase by 6% per year. Table A shows the foundation program amounts through 1981-82.

---

[1]Robert Singleton and Paul Goldfinger, "California's New School Finance Law: General Finance and Categorical Aids Provisions," October, 1977, (mimeo).

Table A. Foundation Program Amounts

Year	Elementary	High School	Unified	Increase Over Prior Year	% Increase (Based upon Unified Value)
1976-77	1012	1198	1093	---	---
1977-78	1087	1273	1168	$ 75	6.9%
1978-79	1241	1427	1322	$154	13.2%
1979-80	1360	1546	1441	$119	9.0%
1980-81	1446	1632	1527	$ 86	6.0%
1981-82	1538	1724	1619	$ 92	6.0%

3. Revenue Limits

Revenue limits were computed in the usual manner for 1977-78, with a district getting a revenue limit increase equal to $75 multiplied by the district's squeeze factor.

Beginning in 1978-79, high revenue districts are subject to a double squeeze--if, in the prior year, the district's revenue limit exceeds 120% of the foundation program, then the revenue limit increase for the district will be based on 7% of the foundation program, squeezed, rather than the full increase in the foundation program amount, squeezed. (When the increase in the foundation program drops below 7%, as in 1980-81 and afterwards, the double squeeze does not apply.) Thus, for example, in 1979-80 high revenue districts get revenue limit increases based on a 7% increase (about $93) squeezed, instead of the full $119 increase, squeezed (see Table A).

Because of the extreme discontinuity in the double squeeze formula, it would be possible for a district with a revenue limit

at, say, the 121% level in one year to wind up with a lower revenue limit than a district that was right at the 120% level. A hold-harmless provision prevents this.

AB 65 makes up for the lack of large revenue limit increase in 1977-78 by recomputing higher "computations;" 1977-78 revenue limits are computed using the foundation program amounts shown in Table B, and these are used to compute the 1978-79 revenue limits. (The recomputed 1977-78 revenue limits are used only for computing the 1978-79 revenue limits, and do not change a district's revenue in 1977-78.)

Table B. Foundation Program Amounts Used for Recomputing the 1977-78 Revenue Limit 1978-79 Revenue Limit.

Year	Elementary	High School	Unified	Increase Over Prior Year	% Increase (Based upon Unified Value)
1976-77	1012	1198	1093	---	---
1977-78	1132	1318	1213	$120	11.0%
1978-79	1241	1427	1322	$109	9.0%

The "double squeeze" is used for high revenue districts in recomputing the 1977-78 revenue limit, and again in using that value to compute the 1978-79 revenue limit. It will continue to be used in each year that the increase in the foundation program amount exceeds 7%.

4. Extra State Aid in 1977-78 for Equalization Aid Districts

Had AB 65 passed earlier, all districts would have had revenue limits equal to the "recomputed" 1977-78 revenue limit (see above). In addition, equalization aid districts would have received an additional $45 per ADA in equalization aid because AB 65

would have increased the foundation program amounts by an extra $45 for 1977-78.

In order to compensate districts for not getting any help in 1977-78, AB 65 provides a one-time grant to equalization aid districts equal to $45 times the district's squeeze factor for most districts, but only $3 times the district's squeeze factor for those districts with revenue limits above the 120% range. Because basic aid districts would have paid for any higher revenue limits solely from local property taxes, and tax rates were already set, they do not get any revenue help in 1977-78 from AB 65.

5. Declining ADA

Beginning in 1978-79, districts which had a decline in ADA of over one percent will compute their revenue limit adjustment for declining ADA, using 75% of their loss in ADA this year plus 50% of their loss in ADA in the previous year. However, if a district does not meet the criterion of having the one percent loss in ADA in the current year, it does not get any revenue limit adjustment, even if its loss in the prior year was well over one percent.

6. Slippage--Tax Relief for Equalization Aid Districts

Slippage is the term used to describe the situation where assessed value per ADA grows faster than the foundation program amounts, resulting in the percentage of the foundation program funded by state aid slipping from year to year.

AB 65 totally eliminates slippage. Beginning in 1978-79, the computational tax rates used to determine equalization aid for elementary and high schools will be adjusted annually so

that the percentage of state aid as a fraction of the total foundation program for equalization aid districts will be the same as it was in 1977-78. Adjustments to the computational tax rates will be made separately for elementary and high schools.

The following table shows these estimated computational tax rates:

Year	Elementary	High School
1977-78	$2.23	$1.64
1978-79	2.17	1.53
1979-80	2.13	1.47
1980-81	2.07	1.38
1981-82	2.04	1.32

Thus, equalization aid districts will get tax relief estimated to be 21¢ at the elementary level and another 32¢ at the high school level (53% for a unified school district) by 1981-82 under this provision of AB 65.

7. Guaranteed Yield Program - More Tax Relief for Equalization Aid Districts

The Guaranteed Yield Program (GYP) is a wealth equalizing plan that provides considerable tax relief to low wealth districts beginning in 1978-79. Additional state aid is provided through the GYP for all equalization aid districts with current revenue limits in excess of the foundation program. Future voted overrides are also covered.

The formulas create a GYP wealth equal to the breakpoint between equalization aid and basic aid districts /equal to the

foundation program amount minus basic aid ($120) divided by computational tax rates (as determined by the slippage formula--see section 6 above)7. Districts with modified assessed value per ADA of less than the GYP wealth on the elementary level, high school level, or both levels, will get additional state aid to pay for revenue limits in excess of the foundation program amounts. This added state aid replaces local revenues and thus provides tax relief for the district.

The application of the formula consists of the following steps:

(1) For each level (elementary or high school) compute an amount per ADA equal to the district's revenue limit minus the foundation program amount. This is the amount to be wealth equalized.

(2) Using the GYP wealth for that level, determine the tax rate needed to raise this amount per ADA.

(3) Using the district's modified assessed value per ADA for that level, determine the amount of revenue that the district would raise from the computational tax rate determined in step (2).

(4) The GYP state aid is equal to the amount of the wealth equalized from step (1) minus the local effort computed in step (3). A unified district may get GYP revenue on one level only; it is basic aid on the other level.

8. Wealth Equalization for High Wealth Districts

Several provisions of AB 65 result in wealth equalization for high wealth districts and therefore mean higher tax rates in those districts. All of the following provisions are effective beginning 1978-79.

(a) Basic Aid

Basic aid is reduced from $125 per ADA to $120 per ADA in 1978-79. Equalization aid districts get an extra $5 per ADA in equalization aid to offset this loss, but basic aid districts must make up for this loss from local property taxes.

(b) Minimum Tax Rate

Some few very high wealth districts fund their revenue limit with tax rates (including areawide tax rates) of less than $1.00 on the elementary level, $.80 on the high school level, and $1.80 on the unified level. This provision of AB 65 would require these districts to levy tax rates of at least these amounts, and for the state to recapture the revenue from the tax increase. Districts which vote revenue limit overrides still do not escape this form of recapture.

(c) Voted Overrides

All future voted revenue limit overrides are completely wealth equalized. It was noted above that low wealth districts that vote overrides are covered under the GYP program. Similarly, high wealth districts must levy taxes to pay for voted overrides as though their wealth were equal to the GYP wealth (described above). Since basic aid districts are all wealthier than the GYP wealth, this computed tax rate will raise more in the district than the amount of the voted override, and this excess revenue is recaptured by the state.

(d) PYG Tax

Basic aid districts are also subject to the School District Equalization Tax, popularly known as the negative GYP, or the PYG. Under this provision, a percentage of the amount by which a high wealth district revenue limit exceeds the foundation program amount is wealth equalized. Thus, 10% in 1978-79, 15% in 1979-80, or 20% in 1980-81 and thereafter of the difference between the revenue limit and the foundation program amount gets wealth equalized. Again, the GYP wealth is used to determine a computed tax rate required to raise the amount to be wealth equalized, and the excess revenues are recaptured by the state.

A unified district that receives equalization aid on one level but only basic aid on the other level is not subject to the PYG nor to the recaptured aspect of the voted override provision.

9. STRS

The formulas for computing state aid and the revenue limit adjustment for the State Teachers Retirement System (STRS) undergo a radical change in 1979-80, resulting in a much simpler system.

District contributions to STRS will be 8.0% of certified salaries in 1978-79 and this percentage will grow by 0.5% per year until it reaches 10.0% in 1982-83.

Beginning in 1979-80, state aid for STRS will be apportioned using a formula similar to the GYP. High wealth districts will get no state aid. Some high wealth districts currently get state

aid for STRS equal to a few cents on the tax rate.

The exact formula for determining state aid for STRS utilizes the following steps:

(1) Districts are given a computational wealth equal to the GYP wealth per ADA multiplied by 1.125. Thus, districts are leveled up higher than the GYP wealth by a factor of one-eighth.

(2) Compute the tax rate necessary to raise the STRS contribution as though the district's wealth was computed in step (1). This calculation is done separately on the elementary and high school levels of a unified school district.

(3) Compute the actual yield from the tax rates determined in step (2), using the district's modified assessed value per ADA.

(4) State aid is equal to (a) the district's contribution to STRS minus (b) the yield from the computational tax rate determined in step (3). There is no recapture if this amount is negative.

Districts are allowed a revenue limit adjustment equal to the full amount that must be raised locally. There will no longer be any encroachment on general revenues due to a partial revenue limit adjustment, a problem that was severe for many low wealth districts.

Also, in 1978-79, the amount of the district cost for STRS that was made part of the 1972-73 base year revenue limit gets taken out of the 1978-79 base revenue limit. Therefore, local costs of STRS will no longer be squeezed.

The state will also increase its direct contribution to STRS by 3% of certificated salaries, to be phased in over six years. Under AB 65, then, local districts pay an extra 2% of salaries (with all but the highest wealth districts getting state subsidies) and the state paying all of another 3% of salaries, for a total increase of 5% going to the STRS fund.