DOCUMENT RESUME

ED 332 315 EA 022 909

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TITLE Cadillacs or Chevrolets? The Effects of State Control on School Finance in California.
PUB DATE Mar 91
NOTE 39p.
PUB TYPE Reports - Descriptive (141) -- Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; *Expenditure per Student; *Government Role; *School Taxes; *State School District Relationship; Tax Effort
IDENTIFIERS *California

ABSTRACT

Although California's real spending per pupil grew 13 percent between 1980-81 and 1990-91, real growth in educational spending here has not kept pace with the rest of the country. The reasons are complex, with many causes rooted in the state tax system design and the resulting school finance structure. This paper describes how and why California's system developed and discusses the options available to policy makers. The current situation can be traced to three watershed events during the past 20 years: (1) the "Serrano v. Priest" legal challenge to California's school finance system; (2) passage of Proposition 13's property tax limitation; and (3) passage of Proposition 98's minimum funding guarantee for education. These events have shifted control of school finance from local districts to the state. The reliance on state funding has placed California's schools in a precarious position, as the current budget deficit is approaching $10 billion. The state legislature treats the 40 percent minimum funding guarantee as both a spending floor and a ceiling, and may even suspend the proposition this year. California has achieved a system that largely equalizes expenditure disparities and has eliminated tax effort differences across districts. The price of this achievement has been increased state control over revenues available to local school districts. Even the education community's efforts to garner a fixed percentage of the state budget for schools has failed to provide a substantial growth in educational funding. (13 references) (MLH)

CADILLACS OR CHEVROLETS?
THE EFFECTS OF STATE CONTROL ON SCHOOL FINANCE IN CALIFORNIA

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March 1991

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INTRODUCTION

Across the United States, funding for education has shown tremendous growth since World War II. Odden (1990) points out that after taking inflation and student enrollment increases into account, spending for our nation's schools increased by 67 percent in the 1960s, 35 percent in the 1970s and 30 percent in the 1980s. In California, real spending per pupil for education grew 13 percent between 1980-81 and 1990-91. While this represents a substantial commitment of new resources to schools, real growth in educational spending in California has not kept pace with the rest of the country. Why, in the wealthiest state in the nation, has the growth in spending for schools lagged behind other states? There are a number of plausible explanations, including the taxpayer revolt of the late 1970s, the fierce competition for funds to pay for a variety of public services across the state, the changing demographics of the state's population, particularly its children, and voter preferences for other services. One Sacramento lobbyist says that "at one time, Californians had a Cadillac school system and drove Chevrolets, but today have elected to drive Cadillacs and accept a Chevrolet school system."

Although the reasons for California's inability to keep up with national spending trends are deep and complex, many of the causes are rooted in the design of the state tax system and the resulting school finance structure. The purpose of this paper is to describe the forces that have conspired to retard the growth in spending for California's schools over the last two decades. The current status of California school finance can be traced to three watershed events of the last 20 years. They are:

1. The *Serrano v. Priest* legal challenge to California's school finance system.
2. Passage of Proposition 13's property tax limitation, and
3. Voter approval of Proposition 98's minimum funding guarantee for education.

The primary affect of these three events has been a dramatic shift in the control of California school finance away from local districts and to the state. In 1990-91, California will spend over $25 billion on K-12 education. Approximately 85 percent of that money will either come directly from the state (64 percent), or through property taxes which are directly controlled by the state (20.6 percent).

This extraordinary reliance on the state to fund education has placed California's schools in a precarious position. Over the next 18 months, the California Legislature must deal with a budget deficit of nearly $10 billion. Funds for education, which currently account for nearly 40 percent of the general fund budget, are sure to suffer as Governor Pete Wilson and the legislature wrestle to bring the budget into balance. Under California's school funding system, the decisions made in the state capitol in the next few months will almost entirely determine how much revenue is available to each school district next year.

This paper describes how and why California's system developed, and describes the options available to policymakers today. The first section provides a brief history of California school finance, focusing on historical actions that still affect -- and sometimes confound -- today's decisions. This is followed in section 2 by a discussion of the *Serrano* legal challenge to California's school finance system and the role that case played in shifting control of the schools to the state. Section 3 discusses Proposition 13 which completed the task of shifting control over spending decisions to the state. Section 4 describes Proposition 98 which was designed to insure that schools and community colleges have access to a guaranteed proportion of the state's resources. Section 4 also analyzes of the current financial condition of California's schools. Finally section 5 offers some conclusions and their policy implications for school finance in California.

CALIFORNIA SCHOOL FINANCE: STATEHOOD TO *SERRANO*

The First 60 Years

California's first school governance and finance act was passed in 1851 in response to the original 1849 state Constitution's requirement that "a system of common schools, by which a school shall be kept up and supported in each district at least three months in every year" (California Commission on State Finance, 1986). This measure called upon each district to raise at least one-third of the operating budget for its schools from local property taxation, voluntary subscription, or other means, as a condition for receiving state aid.

During this time a system of over 3,000 school districts developed. The state financed its share of school costs through state property taxes, and other state resources as needed. The state property tax rate was periodically increased to meet the needs of the schools, and although the percentage of state funds for school support varies slightly, the two-thirds/one-third ratio remained generally constant.

The Commission on Revenue and Taxation (1905)

Not surprisingly, property assessment practices varied considerably among California counties, resulting in substantial inequities in the collection of state property taxes which were levied at a uniform rate across the state. In reviewing the tax system, the Commission on Revenue and Taxation stated that the school finance system "puts a penalty on honesty and pays high premiums for dishonesty" (California Commission on State Finance, 1986).

The Commission recommended the separation of state and local revenue sources, with local governments taxing property and the state taxing inheritances, banks and corporations, public utilities, and insurance, as well as the poll tax and motor vehicle registration fees. A constitutional amendment was passed in 1910 embodying most of the

Commission's recommendations. However, due to concern that the state would be unable to fulfill its funding commitment, the amendment include a provision that the schools and the state university should have first priority on state appropriations. In addition, if state funds were deemed insufficient to meet all state funding requirements, a state property tax could be levied.

Although the state did not levy the property tax, the effect of this amendment was to slow the growth in state funding for education, placing a greater burden on local property taxes. An initiative constitutional amendment passed in 1920 increased local school property taxes to a minimum of $30 per ADA (up from an average of $21) and guaranteed state funded basic aid of another $30 per ADA (up from $17.50). Although the authority for a state-wide property tax existed, the state did not use that source to fund its obligation. This action represented the first of many cycles where the state increased its funding commitment, then watched as over time its share of total funding for schools declined and local property taxes increased.

The Riley-Stewart Plan (1933)

While the state did not have to levy a property tax to meet its obligation, local property taxes did increase dramatically to meet the needs of the schools. In responses to growing dissatisfaction with high property taxes, the legislature, and the voters, enacted a combination of constitutional amendments and statutory changes in 1933. Known as the Riley-Stewart Plan, this program more than doubled state support for schools and lowered local property taxes. To help the state raise the necessary revenue, a sales tax was introduced.

State Aid and Equalization

As economic conditions improved after the depression and World War II, the costs of education increased, and local property taxes again began to bear an increasing share of school support. A 1946 constitutional amendment increased state basic aid to $90 per ADA, and another in 1952 increased that amount to $120 per ADA or a minimum of

$2,400 per district, whichever was greater. This constitutional requirement of $120 per ADA in basic aid is still in effect today.

In 1947, the state introduced a statutory foundation program, establishing a minimum level of support for schools, to be funded through a combination of state and local funds. School districts were not required to levy the "computational" tax rate, and districts that raised more than the foundation guarantee with that tax rate were not required to send the excess funds to the state. As a result, from the mid 1950's local property taxes formed the major source of revenue for local schools (Picus, 1988).

Although the foundation program theoretically provided equalization among school districts, by 1970, it only accounted for about 50 percent of funds being expended for schools, limiting its effectiveness. Further, there were substantial inequities among local school districts. Figure 1 shows the ranges in local expenditures and tax capacity that existed in the 1970-71 school year. Because of these disparities, a legal challenge to California school finance system was filed in 1968. On August 30, 1971 the California Supreme Court handed down a ruling in the *Serrano v. Priest* case[1] that has affected every major change in California's school finance structure since then.

Figure 1
Ranges in California School District Expenditures and Tax Capacity: FY 1970-71

Category	Low	High
Assessed Value/ADA[a] ($)	75.00	1,053,000.00
Tax Rate[b](%)	0.39	7.83
Expenditure/ADA ($)	420.00	3,447.00

aAssessed value equaled one-fourth of market value in 1970-71.
bTax rates levied on each $100 of assessed value.
Source: Mockler and Hayward, 1978

[1]*John Serrano, Jr., et al. v. Ivy Baker Priest*, et al., L.A. 29820 (Super. Ct. No. 938254), August 30, 1971.

SERRANO TO PROPOSITION 13

The Legal Challenge

Serrano v. Priest was filed on August 23, 1968. *Serrano's* lawyers alleged that there were "substantial disparities" in per pupil spending among school districts in California, and "therefore substantial disparities in the quality and extent... of educational opportunities... are perpetuated among the several school districts of the state." (Elmore and McLaughlin, 1981). The plaintiffs argued that education was a fundamental interest of the state, and therefore was subject to strict judicial scrutiny. "Strict scrutiny" prohibits states from making distinctions among citizens on the basis of a "suspect classification" in the exercise of a fundamental right or the provision of a fundamental interest. Plaintiffs argued that California's school finance laws resulted in higher spending in school districts with higher property tax bases, and lower spending in school districts with lower property tax bases, making students living in poor districts a "suspect classification," entitled to court protection in securing the right of equal educational opportunity. They claimed that this situation violated the equal protection provision of both the California and United States Constitutions.[2]

The state countered by arguing that the funding variations, even if substantiated, did not render the educational financing system unconstitutional. The superior court, and the state Court of Appeals agreed with the defendants. The appellate court ruled that "the inequities complained of by the *Serrano* plaintiffs were not unconstitutional...because they were reasonably related to the legitimate state policy of delegating authority for school financing to local districts and of allowing local districts to demonstrate by their tax rates how much importance they attach to education" (Elmore and McLaughlin, 1981).

[2]For a summary of the legal theories used to successfully challenge state school finance systems, see chapter 3 of Odden and Picus, (forthcoming).

The case was appealed to the California Supreme Court which ruled on August 20, 1971 that the state's system of public school finance failed to meet the equal protection clauses of the California and United States Constitutions.[3] The court held that the finance system "invidiously discriminates against the poor because it makes the qualify of a child's education a function of the wealth of his parents and neighbors" (*Serrano v. Priest*, p. 1). The court remanded the case back to superior court for trial.

The Response

Although it took nearly three years before superior court judge Bernard S. Jefferson issued his ruling in the case, state policymakers generally considered the *Serrano I* ruling of the Supreme Court to be a sign that the California finance system did not meet the requirements of the state constitution. While awaiting Jefferson's ruling, the legislature enacted Senate Bill 90 (SB 90) which made the following changes in the state's school finance system:

Foundation Program Increases: The guaranteed level of support for elementary students was increased 115 percent, while the high school support was increased 95 percent. This helped improve the equalization of the system by "leveling-up" low-spending districts, and allowing property-poor districts to lower their tax rates. Automatic inflation adjustments were also introduced. This feature was designed to keep the state level of school aid at a higher percentage.

Revenue Limits: To accommodate the *Serrano* requirements, SB 90 introduced the concept of revenue limits. Mockler and Hayward (1978) state that revenue limits changed the basis of future growth in the system away from being a function of the growth in assessed value, and turned the power to control district spending growth over the the

[3]A subsequent lawsuit in the state of Texas, *Rodriguez v. an Antonio Independent School District*, 337 F. Supl., p.280, resulted in a United States Supreme Court ruing that the Texas school finance system did nt violate the the equal protection clause of the Fourteenth Amendment of the United States Constitution, effectively foreclosing this avenue of challenge to state school finance systems. However, the Supreme Courts' ruling did not affect the California high court's finding that the California school finance structure violated the state constitution.

legislature. These initial revenue limits place a variable ceiling on the rate of growth of district expenditures. Thus if a district's assessed valuation grew at a faster rate than its revenue limit, it had to reduce its tax rate appropriately. The variable growth in revenue limits was designed as a "squeeze" factor. Districts with revenues below the foundation program amount were allowed to increase their revenue limit by up to 15 percent per year, while districts at the foundation level were granted a 6 percent per pupil inflation factor. Districts above the foundation level were "squeezed" by limiting growth in revenues to a factor of less than 6 percent per pupil per year. SB 90 did allow school districts to increase their revenue limits with voter approval of an override, although few districts were successful in doing so.

Reduction in Permissive Overrides: Prior to SB 90's passage, California school boards were permitted to levy a number of different permissive tax overrides without a vote of the citizens. These overrides increased the wealth advantage of high-assessed districts. By ending the authorization for future increases in the tax rates of these levies, SB 90 attempted to meet the *Serrano* goal of equalizing tax rates.

Categorical Programs: Senate Bill 90 appropriated funds for a number of categorical programs including the Educationally Disadvantaged Youth Act, a categorical program providing assistance to districts with high percentages of family poverty, bilingualism, and pupil transiency, and Superintendent of Public Instruction Wilson Riles' program for reforming K-3 education, The Early Childhood Education Program. These appropriations marked the beginning of nearly 20 years of continual growth in state supported categorical programs.

Judge Jefferson issued his *Serrano* ruling in 1974. He ruled that the legislature's first attempt to deal with the issues brought up in *Serrano*, was inadequate. His opinion required that wealth related revenue disparities among districts in spending for basic educational services be reduced to "amounts considerably less than $100 per pupil," regardless of the district's property wealth. Jefferson did not mandate specific reforms to reach this goal, but he did suggest such remedies as state-wide property taxation, further consolidation of school districts, full property tax power equalization, or an educational voucher system. Jefferson's decision was appealed to the Supreme Court which upheld his ruling by a 4-3 vote in 1976.

While awaiting the Supreme Court's ruling on the appeal of Jefferson's opinion, SB 90 took effect in the 1973-74 fiscal year. However, inflation soon made the foundation program guarantees inadequate, and resulted in high spending districts unable to maintain the quality of their educational offerings. Further, property values skyrocketed during the period, increasing the district share of the foundation program and diminishing the need for state-funded equalization.

To deal with this "slippage" the legislature passed SB 220 in 1975. SB 220 modified SB 90 by increasing the scheduled foundation program increases by 33 percent, and by subjecting part of voter-approved overrides to power equalization, helping to guarantee a given level of tax effort would result in a minimum level of revenue per pupil. The bill even contained a provision to recapture a portion of the funds raised by high-wealth district property tax overrides and distribute those funds to low-wealth districts who also passed voter overrides. The foundation program was increased again in 1976.

SB 220 also represented the first time the California legislature appropriated funds to certain districts because they were impacted by a large number of students with special needs. Meade aid, named for Assemblyman Dan Meade of Oakland, distributed funds to urban school districts in the state under the assumption they were impacted by large numbers of poor pupils. Prior to SB 220 categorical aid programs were restricted to instructional areas. This urban aid became a precursor of future discussions over whether or not school districts incur differential costs because of factors over which they have little or no control, an issue which still dominates legislative debates over school funding.

Designing a system that would meet constitutional muster (without the benefit of the superior court's ruling) proved difficult. Among the problems policymakers faced were the following:

- Many supporters of *Serrano* thought that low-income pupils would benefit from a system with greater equalization. But research showed that the poorest students in the state tended to be concentrated in five large metropolitan areas -- Los Angeles, San Diego, San Francisco, Long Beach and Oakland. These cities also had per-pupil assessed valuations that were at or above the state average.
- Others thought that the high property wealth districts (who presumably would be hurt by substantial increases in equalization) were also the districts with high concentrations of high-income individuals such as Beverly Hills and Palo Alto. However, it turned out that of the 35 highest spending unified school districts the state in 1971, 27 were small rural districts with high costs of operation due to their sparsity.
- Some thought that the state's reliance on property taxes to finance schools could be diminished through the substitution of income and sales tax revenues. However, the complexities of tax shifts, combined with the fact that those who may pay higher income and sales taxes are not necessarily the same ones who benefit from lower property taxes made such shifts difficult to achieve. In fact, it took the passage of Proposition 13 in 1978 to achieve a shift away from property taxes.
- Finally, educators hoped that *Serrano* would provide an opportunity to increase the relative share of public expenditures going to education. Yet, diminishing enrollments in the 1970s combined with escalating costs of other public services resulted in the reverse.

These problems had made it difficult to fulfill all of Judge Jefferson's requirements. In fact, Jefferson's ruling in 1974 stated that SB 90 did not adequately meet the *Serrano* requirements for a number of reasons:

- The revenue limits were based on 1972-73 revenues received, thus perpetuating inequalities resulting from proper tax differentials.
- The convergence process that resulted from the differential growth rates in revenue limits would be very slow, taking as long as 20 years.
- Districts could effectively escape the revenue limits through voter-approved overrides.
- The wide variation in property tax rates levied for support of schools was not adequately addressed by either the foundation program increases or the introduction of revenue limits.

Subsequent litigation has resulted in clarification of the *Serrano* rulings. Specifically, the courts have held that:

- The original $100 spending band should be adjusted for inflation since the original decision was issued. Thus for 1990-91 the band equals $268 per ADA.
- Compliance may be established using separate bands for each type of school district (large and small elementary, high school, and unified).
- The measurement of equalization should be based on the percentage of state-wide ADA rather than the percentage of school districts within the band.
- The definition of general education expenditures should be limited to base revenue limit funding, thus excluding special needs categorical programs.

In response to the *Serrano II* mandate, the legislature passed Assembly Bill 65 (AB 65) in 1977. The four major features of AB 65 were:

- A substantial increase in the foundation program. The purpose of this was to equalize a larger portion of school funding.
- Application of a uniform minimum tax rate in all school districts, along with a recapture provision that transferred funds from wealthy to poor school districts.
- Expansion of property tax power equalization to all local voter-approved override taxes.

- Differential allocation of annual revenue limit increases to speed the convergence of spending differentials.

AB 65 was to begin in 1978-79, but before it could be implemented, California's voters intervened by passing Proposition 13. Overnight, Proposition 13 reduced local property taxes by some 60 percent, and with the passage of bailout legislation, created a de facto state property tax system. AB 65's complex distributional formulas and tax levy schema became obsolete (Elmore and McLaughlin, 1981).

Until June 1978, the legislature had the option of complying with the *Serrano* court order through a district power equalizing system, whereby the state would guarantee an equal level of per pupil resources for all districts levying the same tax rate. This would allow local variation in tax rates and spending levels, but guarantee equal treatment of all students in districts with the same tax effort. This changed with the passage of Proposition 13 in 1978 when the voters removed all local discretion in setting property tax rates. Proposition 13 and its impact on California school finance is the topic of the next section of this paper.

PROPOSITION 13 AND ITS EFFECTS

On June 6, 1978, California voters approved the Jarvis-Gann tax limitation initiative, Proposition 13. An amendment to the state constitution, Proposition 13's major provisions include:

- Taxes on residential, commercial and business property are limited to one percent of 1975-76 assessed market value.
- Property tax assessment increases are limited to no more than two percent a year.
- Property can be reappraised at current market value when it is sold, ownership is transferred, or newly constructed.

- State or local governments are prohibited from passing new property taxes.[4]
- A two-thirds vote of the people residing in a jurisdiction is required for imposition of special taxes.
- A two-thirds vote of the legislature is required for changes in state taxes.

The Bailout

The immediate effect of Proposition 13 was to reduce total property tax collections by some $7 billion beginning on July 1, 1978, a scant three weeks away. To replace local property tax loses, the legislature enacted SB 154, popularly known as the bailout bill. SB 154 allocated the $4.4 billion in property taxes that were still to be collected with the one percent levy, and appropriated $4.1 billion from the state budget surplus to replace just over 60 percent of the local revenue lost. This assured school districts of between 85 and 91 percent of the total revenue limit funding they would have received under AB 65. It also heralded a new era for school finance in California. For the first time, the burden of financing education was piaced on the state. Local residents and school boards could no longer decide how much to spend on education (unless they desired further spending reductions). At the same time, the state faced a new situation. It was no longer possible for state planners to count on growth in assessed values to fund local services (Elmore and McLaughlin, 1981). Education had to compete with other state services from a share of the state's general fund resources.

A Long-Term Solution

The immediate crisis over, the legislature turned to a long-term solution to the post-Proposition 13 funding situation when it started its new session in January 1979. the result of the legislature's deliberations was AB 8. The basic financial framework estabiished by AB 8 is still in use today, although there have been some modifications over time. Proposition 13 had a dramatic and far reaching impact on California school finance. Odden

[4]This provision was modified by Proposition 49 in 1986 which allows local jurisdictions to levy *ad valorem* property taxes to repay general obligation bonds subject to two-thirds voter approval.

(1986) describes five factors that influence the level of funding available to schools since its passage.

1. A large portion of the substantial increase in state funds provided to local school districts was used to offset local property tax decreases. Odden states that although state aid increased by $4.1 billion between 1978 and 1980, property taxes declined by $3.1 billion, resulting in a net increase to local schools of only $1 billion.
2. School district revenue limits are increased by the allowable state-determined Cost of Living Adjustment (COLA) each year. As a result, if local property tax collections are higher than expected, the additional funds are used to reduce the state revenue needed to reach a district's revenue limit. Odden points out that over the eight year period immediately following the passage of Proposition 13, nearly 40 percent of state revenue increases for education were simply replacement dollars for lost local property tax revenues. Much of the political effort exerted for school funding, therefore benefitted property taxpayers, not the education system.
3. Because school funding depends much more heavily on the health of the state economy then it did in the past, when the economy experiences a downturn, funding for education suffers. In the past, local property taxes provided a buffer from fluctuations in state revenue that depended on the condition of the economy. Next year's projected deficit of $10 billion is a dramatic example of the dangers of heavy reliance on state resources to finance schools.
4. The priority given K-12 education when state revenues are tight is lower in California than in many other states in the country. Consequently, funding for education suffers because of the priority given other state services.
5. By reducing the number of governmental bodies that are involved in allocating revenues for education from over 1,000 to 1, California reduced, if not eliminated, competition among districts that in the past helped provide increases in the level of funding for schools. Odden predicted that this elimination of competition would

reduce the rate of dollars flowing into the system. The only other state that has virtually eliminated the role of local districts in school funding, Washington, has also seen a marked decline in the rate of funding increases for elementary and secondary schools (Theobald and Hanna, 1990).

Figure 2 shows how the real and nominal revenue per pupil has changed since Proposition 13 was passed. As the figure shows, nominal revenue per pupil has increased annually every year except 1982-83. On the other hand, if per pupil revenues are adjusted for inflation, the annual upward trend is reversed again in 1989-90, and continues downward the following two years. The dismal revenue picture for 1991-92 is the result of California's projected budget shortfall of at least $10 billion.

Figure 2
California School District Revenues Per ADA: 1978-79 to 1991-92

Year	Revenue per ADA Nominal Dollars	Revenue per ADA 1982-83 Dollars[a]
1978-79	2,207	2,729
1979-80	2,611	2,943
1980-81	2,929	3,014
1981-82	3,003	2,869
1982-83	2,992	2,992
1983-84	3,168	3,046
1984-85	3,504	3,198
1985-86	3,822	3,360
1986-87	4,019	3,425
1987-88	4,284	3,497
1988-89	4,562	3,549
1989-90 (estimated)	4,760	3,542
1990-91 (estimated)	4,787	3,408
1991-92 (budgeted)	4,853	3,315

[a]Adjusted by the GNP price deflator for state and local government goods and services
Source: Legislative Analyst, 1991a

Computations from Figure 2 indicate that real spending per pupil in California increased by 13.07 percent between 1980-81 and 1990-91. Although this represents a substantial increase in real resources devoted to education, it is substantially less than the 30 percent real increase in spending observed nationally (Odden, 1990). Figure 3 shows California's per pupil expenditures for education compared to the national average for the last 22 years. The figure also shows California's ranking among the 50 states. The table makes clear the general decline in California's national ranking which began about the time *Serrano* was filed, and continued through the recession of 1981-82. Although the state has made some progress since that time, its national ranking of 25th in spending per pupil is still considerably below its position in 1967-68.

Figure 3
California Expenditures Per Pupil Compared to the National Average: 1967-68 to 1988-89

Year	National Average Expenditure Per Pupil ($)	California Average Expenditure Per ADA ($)	Rank
1967-68	634	686	12
1968-69	702	757	15
1969-70	773	744	23
1970-71	812	762	25
1971-72	970	955	20
1972-73	1,035	1,050	20
1973-74	1,147	1,107	15
1974-75	1,280	1,201	20
1975-76	1,441	1,457	20
1976-77	1,594	1,572	20
1977-78	1,755	1,680	23
1978-79	1,961	1,905	22
1979-80	2,200	2,163	23
1980-81	2,436	2,156	30
1981-82	2,672	2,209	41
1982-83	2,944	2,735	35
1983-84	3,182	2,981	27
1984-85	3,442	3,287	26
1985-86	3,970	3,751	26
1986-87	3,977	3,840	25
1987-88	4,257	3,916	26
1988-89	4,590	4,303	25

Source: NEA, *Estimates of School Statistics,* various years.

Funding Issues of the 1980s

Two factors combined to make the first years of the 1980s difficult for school finance in California. As described above, Proposition 13 reduced available funding for all government services in California beginning in 1978-79. Moreover, as the 1980s began, California, and the nation, faced a recession. The economic slowdown, combined with the heavier reliance schools now placed on the state for funds, led to a decline in available revenue. This is shown in Figure 2, where both nominal and real expenditures per pupil declined in the first years of the decade.

Senate Bill 813: The funding picture improved somewhat beginning in 1982-83, and continued after the passage of SB 813 in 1983. SB 813 was California's response to the national education reform movement spawned by the publication of A Nation At Risk. Among SB 813's many provisions was a commitment to increase funding for education by $1 billion a year in each of four years. This promise of additional money was made contingent on the implementation of a number of reform measures including increased high school graduation requirements, longer school days and years, and increases in minimum teacher salaries.

Senate Bill 813 was perhaps the most dramatic example to date of the new power the state had acquired over local school district decisions. For the first time, bargaining for new funds, which now occurred almost entirely at the state rather than local level, included issues of school performance, accountability and reform. The message from Sacramento was districts could no longer expect to receive large increases in funding without showing that the funds were being spent wisely, or at least in a manner deemed wise by state policymakers. SB 813 showed, for the first time, how control state had shifted to the state.

Revenue Limits: A district's basic revenue is still determined by its revenue limit. Although there are a number of minor adjustments each year, and a 12 page worksheet is required to calculate a district's actual revenue limit, the basics are relatively straightforward. The revenue limit calculation begins with the previous year's revenue limit, which is then adjusted for inflation and increases in enrollment.

The inflationary increase is based on a statutory Cost of Living Adjustment (COLA). The COLA is determined by the annual change in the Implicit Price Deflator for State and Local Governments as published by the United States Department of Commerce. This COLA is then applied to the average revenue limit for each of the three types of district,[5] to determine the dollar increase per ADA in revenue limits. Because each district receives a fixed dollar per ADA increase, those districts with revenue limits below the state-wide average receive a higher percentage increase than do districts with revenue limits above the state-wide average. This provision continues the squeeze factor instituted with SB 90 in response to *Serrano*.

A second important adjustment is made for high revenue limit districts with growing enrollments. For these districts, the increase in the revenue limit for growth ADA (that is the new students) is limited to 105% of the state-wide average revenue limit for all districts of the same type and size. Since this limitation is factored into the district's total revenue limit income, the growth in the revenue limit per ADA for all pupils in the district is less than the state COLA amount, furthering equalization across districts.

Once a district's revenue limit is determined, property tax collections are calculated, based on a county-wide formula determined by the legislature. A district's general or revenue limit aid from the state equals the difference between its revenue limit and the property taxes it collects from the state. Since 1982-83, when the legislature applied a COLA of zero percent, the legislature has appropriated adequate funds to, at a minimum fund the statutory COLA. During the 1990 budget session, which did not reach agreement on a state budget until one month into the fiscal year, the schools received only a 3 percent COLA for 1990-91, even though the statutorily determined COLA would have been 4.76 percent. Moreover, the Governor's current budget contains a 1991-92 COLA of zero,

[5]The three district types are elementary, high school and unified.

rather than the statutory 4.77 percent currently estimated by the Commission on State Finance. This will further restrict available funding for education.

In recent years, an interesting, and unintended consequence of this system has developed. Recall from the discussion above that a 1952 amendment to the state constitution provided that each district receive basic aid of $120 per ADA. This provision has not been removed from the constitution. Therefore all districts must receive this aid, regardless of their property tax collections. As a result, the state provides basic aid to districts where property tax revenues exceed the revenue limit, and to districts where property tax collections are less than $120 per ADA below the revenue limit. The Legislative Analyst's office estimates there will be between 35 and 40 "basic aid" districts among California's 1,013 school districts in 1991-92 (Reinhard, 1991). The cost to the state of providing the $120 per ADA basic grants to these districts is estimated to be under $1 million. However, most of the basic aid districts have property tax revenues that exceed their revenue limits. Since the state has no provision to recapture these funds, the Legislative Analyst estimates these districts will generate approximately $50 million in local property tax revenues in excess of their respective revenue limits (Reinhard, 1991).

The Lottery: The funding picture for schools improved in November 1984 with voter approval of a state lottery. The voter initiative creating the state lottery specified that at least 34 percent of the revenues from the lottery games be used for education. Included in the definition of education were K-12 schools, the community colleges, the State University system, and the University of California. Proceeds from the Lottery are distributed quarterly to schools on a per-pupil basis. The first distribution took place during the 1985-86 fiscal year, following the November 1985 introduction of Lottery games across the state. Figure 4 shows the allocation of these funds to K-12 schools since the inception of the Lottery.

Although Figure 4 shows that the Lottery has never provided more than 4 percent of K-12 revenues, its impact on education has been considerable. Although districts were cautioned that Lottery revenues could fluctuate widely, and therefore should not be used to pay for continuing expenditures, such as salary increases, many districts ha.e, over the past five years, begun using Lottery funds for these purposes. The dangers in doing so are apparent from the decline in per pupil receipts beginning in 1989-90 and continuing through at least next year.

Figure 4
Distribution of Lottery Funds to K-12 Schools: 1985-86 to 1991-92

Year	Lottery Revenues Distributed to K-12 Schools ($)	Lottery Revenues Per Student ($)	Lottery Revenues as a Percent of Total Expenditures (%)
1985-86	558,437	129	3.4
1986-87	410,881	89	2.2
1987-88	650,852	141	3.3
1988-89	736,142	162	3.6
1989-90	788,800	156	3.3
1990-91 (est.)	613,542	116	2.4
1991-92 (budget)	613,542	111	2.3

Source: Legislative Analyst, Analysis of the Budget Bill, various years.

The Growth of Categorical Programs: California's response to *Serrano* assumed that the Court required the elimination of *wealth related* differences in spending across school districts. Although Proposition 13 eliminated the option of increasing local tax effort, neither it nor *Serrano* dealt with the issue of differing student needs. Recognizing that districts are not impacted uniformly by the distribution of students with special needs (i.e. handicapped, limited English proficient or economically disadvantaged), California has long maintained a large number of categorical funding programs. Budgeted at over $5 billion from all sources for 1991-92, these programs represent nearly one-fifth of total educational expenditures. The state is expected to contribute $3.6 billion in categorical funds next year, with virtually all of the balance consisting of federal funds.

Data prepared by the Legislative Analyst indicates that funding for these categorical programs has grown faster than funding for revenue limits or general aid. Specifically, Reinhard (1991) shows that since 1982-83, the growth in the K-12 budget as a whole as outpaced inflation and enrollment growth by 11.1 percent. However, growth in funding for revenue limits has only done so by 5.5 percent, indicating that funding for categorical programs has been taking up a larger share of the budget. The areas where this effect is most notable are special education, school facilities and desegregation.

These data appear to indicate that districts with a high incidence of special need children were successful during the 1980s in shifting resources away from general aid into programs that were more favorable to their interests. This success appears to have been short-lived, however. As part of the legislation implementing Proposition 98 (which is discussed in detail below), the legislature enacted a program known as supplemental grants. These so called supplemental grants, are categorical funds allocated to school districts in inverse relation to their receipt of other categorical funds. Thus, districts with high categorical program receipts, such as the large urban districts in the state, do not qualify for supplemental grants, while suburban and rural districts that have not benefited from past categorical programs receive additional money under this program.

Gann Limits: In 1979, the voters passed a second constitutional amendment aimed at limiting state expenditures. Proposition 4, known popularly as the Gann limitation, restricts the growth of state spending. Specifically, growth in state spending is limited to the amount expended in the previous year, adjusted for the growth in population and inflation. Revenues exceeding the state's Gann spending limitation must be returned to the taxpayers.

Since its enactment, state revenues have only exceeded the Gann limitation once, in 1986. That year, after considerable debate between the legislature and the governor, approximately $1.1 billion was returned to the state's income taxpayers. In all previous years, state revenues have been below the Gann limits.

In early 1990, California appeared on the verge of exceeding the Gann limit once again. Changes to the Gann spending limit were enacted by the voters that year. Under the terms of Proposition 111, the inflation factor used to calculate the Gann limit was liberalized, and the population growth factor modified so that it is now based 40 percent on the growth in public school enrollments, and 60 percent on the growth of the state's population. This adjustment was made because school enrollments have been growing at a much faster pace than the state's overall population for several years. The 40 percent figure was arrived at by using the portion of the state's general fund budget guaranteed for the schools by Proposition 98. In addition, a number of state programs, most notably transportation, were removed from the Gann limit umbrella. Proposition 98, and Proposition 111's modifications to it are discussed below in section 3.

PROPOSITION 98 AND THE CURRENT STATUS OF SCHOOL FINANCE IN CALIFORNIA

As the 1980s drew to a close, the dominance of state politics over funding for education was clear. This is shown more clearly in Figure 5, which traces the sources of total school district revenues from 1967-68 to the present. As the Figure shows, local funds accounted for half or more of all school district revenue until 1978-79, the year following Proposition 13's passage. Since Proposition 13, school district revenues have been determined almost entirely in Sacramento. In annual budget deliberations, the schools face stiff competition from other state services including transportation, health care and prisons.

Figure 5
Revenue Sources for California School Districts: 1967-68 to 1991-92

Year	Percent of Total Revenue From: Federal	State	Local
1967-68	6.1	34.7	59.2
1968-69	5.6	33.9	60.5
1969-70	5.3	37.3	57.4
1970-71	5.1	35.2	59.8
1971-72	6.8	36.7	56.5
1972-73	7.4	34.0	58.6
1973-74	9.7	40.9	49.4
1974-75	9.6	40.2	50.2
1975-76	11.1	35.3	53.7
1976-77	10.9	37.1	52.1
1977-78	11.2	38.1	50.7
1978-79	14.5	62.5	23.0
1979-80	9.7	71.2	19.1
1980-81	7.1	73.4	19.4
1981-82	6.8	74.3	18.9
1982-83	7.5	66.4	26.1
1983-84	7.9	66.9	25.2
1984-85	7.9	68.3	23.8
1985-86	7.6	69.0	23.4
1986-87	6.9	69.0	24.0
1987-88	7.3	69.4	23.3
1988-89	6.8	64.8	28.37
1989-90 (est.)	7.0	64.9	28.1
1990-91 (est.)	7.0	63.9	29.2
1991-92 (budget)	6.6	63.4	30.0

Note: Detail may not add to 100 due to rounding
Source: 1967-68 to 1987-88, NEA *Estimates of School Statistics, various Years*
1988-89 to present, Legislative Analyst, 1991

Moreover, by the end of the decade, there was a growing belief that the Lottery was providing adequate funds for schools, even though, as Figure 4 shows, Lottery revenues never even amounted to 4 percent of total K-12 educational expenditures. Perhaps more importantly, education interests pointed out that even though the Lottery money was supposed to supplement and not replace legislative appropriations for education, general appropriations for schools as a percentage of the state's general fund budget had declined since institution of the lottery, implying that funds were being diverted to other state services.

Convinced that education's share of the state budget was declining, Superintendent of Public Instruction Bill Honig and members of the education interest groups across the state succeeded in placing a school funding initiative measure on the ballot and convinced the state's voters to approve it. Known as Proposition 98, this measure provided a number of important funding guarantees for education. It was believed these guarantees would help resolve some of the funding problems schools were facing.

Proposition 98 contained three major provisions, two directly related to school finance, and one dealing with accountability. These three provisions are:

1. A minimum funding guarantee for schools.
2. Allocation of funds when state revenues exceed the Gann spending limit.
3. School accountability report cards.

The first two of these are described below in detail. The third, school accountability report cards, is a requirement that each school submit annually, a report documenting its performance in thirteen different categories. These categories include such things as spending per pupil, average teacher salaries, administrator salaries, and student performance as measured on standardized tests. Although an important part of Proposition 98, the school accountability report cards do not relate specifically to the funding of California schools, and are not discussed in depth here. For an excellent analysis of these documents and public comprehension of them, see Yates (1990).

The Minimum Funding Guarantee

The core of Proposition 98 is the minimum funding guarantee which is determined on the basis of one of three tests (Legislative Analyst, 1991b). As originally passed, funding for K-14 (K-12 and the community colleges)[6] was based on the greater of:

Test 1: The percentage of state general fund tax revenues devoted to education in 1986-87. This amounts to about 40 percent of the general fund.

[6] In implementing Proposition 98 for the 1989-90 school year, the legislature agreed that the funding guarantee would be split 89 percent for K-12 and 11% for community colleges. This division has been adhered to since.

Test 2: The amount of revenue devoted to K-14 education the previous year adjusted for growth in enrollment and the growth in California per-capita personal income.

Proposition 111, added a third test to the determination of revenue of K-14 education:

Test 3: In years when the growth in state revenues is very low, funding for K-14 education is based on total funding for the previous year, adjusted for enrollment growth and the growth in general fund revenues per capita, plus 0.5 percent of the prior year level. This test is only operative in years when the general fund revenue growth per capita is more than 0.5 percent below growth in per capita personal income. In addition, to insure that K-14 education is treated no worse than than any other general fund supported program, Proposition 111 requires that the increase in per pupil in K-14 funding can not be less than the increase in per capital expenditures for all other general fund supported programs (Legislative Analyst, 1991b). Finally, test 3 also requires that a "maintenance factor" be established so that the reduction created by using test 3 is returned to the schools in future years.

One other change made by Proposition 111 protects the rest of the budget from one-time "spikes" in general fund revenue. In any year in which the guarantee is determined by Test 1, and the Test 1 funding level exceeds the Test 2 level by more than 1.5 percent of general fund revenues, the excess amount is not considered part of the base for purposes of calculating the next year's guarantee.

Figure 6 shows how these three tests interact under varying levels of state general fund revenues for 1990-91. When the legislature passed the 1990-91 state budget in July of 1990, it approved a Proposition 98 funding level of $17.1 billion. This was based on the assumption that the minimum funding guarantee would be based on test 2, and total general fund revenues would be $41.4 billion. Under test 2, funding for K-14 education amounted to 41.3 percent of general fund revenue. Since that time, the State Department of Finance has estimated that general fund revenues for 1990-91 will be $2.4 billion lower than assumed when the budget was approved. As a result, the basis for determining the minimum funding guarantee shifted from test 2 to test 3. As Figure 6 shows, this decline in general fund revenues will result in a reduction in state aid of approximately $500 million[7] for a total Proposition 98 guarantee of $16.6 billion.

This example highlights the relationship between general fund revenue and the three Proposition 98 tests. Specifically the following generalizations can be made (Legislative Analyst, 1991b):

- When the minimum funding guarantee is determined by test 1, K-14 education gains or loses approximately 40 cents for every dollar change in general fund revenues.
- When the minimum funding guarantee is determined by test 2, the level of state aid is not altered by changes in state general fund revenues.
- When test 3 is operative, K-14 education gains or loses more than 40 cents for every dollar change in state general fund revenues. This percentage is determined by the ratio between total spending for Proposition 98 purposes from state and local funds in the prior year and total prior year general fund revenues which will vary from year to year.

Figure 6 About Here

There are a number of other factors which impact the level of state funding for schools. One is local property tax revenues, where increases in property tax collections result in dollar for dollar deceases in the state aid requirement under tests 2 and 3, but have no effect on test 1. A second is enrollment in K-12 schools. Increases in these enrollments increase state funding requirements under tests 2 and 3, but not under test 1. Finally, increases in

[7]Of this $500 million, approximately $450 million would come from K-12 education and $50 from the community colleges (Legislative Analyst, 1991b).

per capita income in California would require higher state aid under test 2, but would not change test 1 or test 3 guarantees.

Excess Revenue Distribution

The second major provision of Proposition 98 has to do with the Gann spending limitation. In any year in which general fund revenues exceed this limit, one-half of the "excess" amount must be used for education on a one-time basis. The other half must still be returned to the taxpayers. These "excess" funds are treated as a one time revenue for schools so that they will not affect computation of Test 2, which could result in the "ratcheting up" of the percent of the general fund budget devoted to K-14 education. This one-time treatment is one of the modifications Proposition 111 made to the original provisions of Proposition 98. This requirement is not likely to have much impact on educational spending over the next ten years. Proposition 111's modifications to the Gann limit made this unlikely even before the size of the current budget shortfall was realized.

The Future: Cadillacs or More Chevrolets?

One of the unintended consequences of Proposition 98's funding guarantees is that the legislature has treated it as both a floor and a ceiling. Consequently, legislators have been unwilling to give the schools any more money than required by Proposition 98. To insure that the schools don't receive additional funds, the legislature establishes an annual Proposition 98 reserve fund. If state revenues decline the state won't be committed to distribute funds to the schools beyond the minimum guarantee, and the money in the reserve fund can be used for other purposes. This factor alone should work to suppress available funding for education in the future.

More relevant are the decisions the legislature makes regarding spending on education for the next year-and-a-half. The Legislative Analyst estimates that under Proposition 98, the funding guarantee for 1991-92 will be $18.3 billion, determined using test 2. At the same time, the state faces a budget shortfall of nearly $10 billion.[8] The governor has proposed that Proposition 98 be suspended, and that only $16.9 billion be appropriated to schools. Combined with the $500 million reduction in the current (1990-91) school year, K-14 education stands to lose nearly $2 billion in anticipated revenue.[9]

If the legislature chooses not to suspend Proposition 98, and does not increase taxes, then it will have to reduce spending in other general fund categories by an additional $2 billion to meet education's funding requirements ($1.43 billion difference between the governor's proposal and the test 2 requirement, plus $500 million maintenance requirement which must be made up due to the use of test 3 this year).

If the legislature elects to raise taxes, without suspending Proposition 98, all of the first $2 billion in new taxes would go to education. In addition, of the next $100 million in new revenue, education would be entitled to approximately 40% of the funds since that level of revenue would activate test 1. Beyond $2.1 billion in new taxes, the state would exceed the Gann spending limitation. In that case, 50 percent of the new taxes would go to education and 50 percent would have to be returned to the taxpayers. As a result, no matter how much the state raises taxes, if Proposition 98 is not suspended, only $60 million can be allocated to programs other than K-14 education. Under these circumstances, it seems unlikely Proposition 98 won't be suspended, and funding for education reduced. Whether the final figure will be as low as the governor has proposed is unknown because with Proposition 98 is suspended, the legislature has the authority to appropriate any amount of money to education.

This discussion shows that financing education in California is both extremely complex and highly intertwined with other state programs. Moreover, the provisions of

[8]This shortfall consists of three factors: 1) An ending deficit of $2.1 billion for 1990-91; 2) A $6.4 billion funding gap between revenues and the amount of money needed to continue state services at their current levels; and 3) $1.4 billion to make-up the reserve fund that will be depleted this year, for a total of $9.9 billion.

[9]It should be pointed out that the governor has proposed substantial reductions in other portions of the state budget as well.

Proposition 98 dramatically affect how new tax dollars can be used, if the legislature decides to increase state revenue. It also shows how little control local educators have over their revenue. As a result, the decision as to whether we have Cadillac or Chevrolet schools is now in the hands of the California Legislature, and not a local decision. The next section outlines discusses the implications of this situation for future school finance policy in California.

CONCLUSION

As shown in this paper, the role of the state in California school finance has grown steadily since statehood. In the early years, both the state and local school districts used the property tax to fund their shares of education. Over time, the local share grew in relation to the state share. Around the turn of the century, Constitutional changes were enacted to boost the state's share of educational expenditures. Until the 1970s, the state share of school revenue was something of a roller coaster, dropping as a percent of total expenditures until a new revenue measure, or Constitutional amendment was enacted, increasing state funds for education.

Each time the state offered more money, it took a little more control over the finance system. Whether additional funds were provided at the same time as property assessment practices were cleaned up, or additional funds were distributed through a foundation program to equalize spending across districts, the state slowly increased its control over local revenue generating capacity.

This trend of increasing state control did not become significant until the 1970s, when in response to the *Serrano* court rulings, the legislature began enacting programs designed to actually control local school district revenues. Senate Bill 90's revenue limits marked the first time that the future growth of a school districts' revenues was decided by the state and not the locally elected school board and/or the voters of the district. Even then, a number of local voter overrides were permitted, weakening the equalization component of major school finance reform measures.

In 1978, California voters further restricted local district flexibility when they passed Proposition 98, limiting property tax rates to 1 percent state-wide. This action gave almost complete control over school district revenues to the state. Not only did the legislature now decide what school district revenue limits would be, but also determined how property taxes would be distributed among local jurisdictions. Since the state funded the difference between a district's property tax collections and its revenue limit, the legislature effectively controlled over 90 percent of local district revenue.

At the same time, the voters approved a strict constitutional spending limit for the state, making large increases in spending on education even more difficulty. Even if strong political support for raising taxes were available, the Gann spending limitation restricted how much could be spent. As a result, school districts, which once needed the approval of their local voters to increase taxes, now had to compete with all other state programs for the money that was available.

To insure that schools received their "fair share" of state funds, Proposition 98 was passed in 1988. This measure guaranteed school districts 40 percent of the state's general fund budget. Although educational interest groups thought this measure would solve the schools financial difficulties, the legislature treated this requirement not only as a spending floor, but also as a ceiling, deciding that the remaining 60 percent of the general fund would go to all other services. To make sure no extra money was given to the schools, the legislature established a reserve fund to hold a portion of the funds schools were to get. In that manner, if state revenues were to decline, the money could be used for other services.

There are some positive effects from increased state control over education funding. Equalization has improved dramatically across the state. Because of Proposition 13, differences in tax effort across districts have been eliminated.[10] Moreover, spending differences across districts have been reduced dramatically. According to the Legislative Analyst, over 95 percent of the students in the state attend school in districts with revenue limits within the *Serrano* inflation adjusted spending band of $268 per ADA. More importantly, of the 5 percent of the students who are not in districts inside the band, the Legislative Analyst estimates that all of them are in districts whose revenue limit is above the band (Reinhard, 1991).

As this shows, many of the state's tax and spending goals have been achieved under the system that has developed. But at what price? Spending per pupil in California ranks 25th in the nation. Although teacher salaries are relatively high, the average class size is larger than every state in the nation except for Utah. Considering that California has over 5 million school age children, many of whom live in poverty, speak little or no English, or have other learning disabilities, available funds for schools are stretched thin. The problems are worse if one considers the need for capital spending on schools in the next ten years. The California Department of Education estimates that over $11 billion will be needed to meet the demand for new schools and to make needed repairs and renovations to existing schools over the next ten years.

Meanwhile, the schools are completely dependent on the state for their revenue. Even property tax revenues are controlled from Sacramento today. Unfortunately, as the state enters the 1990s, it may end the first year of the decade with a $2.1 billion deficit, and face a shortfall of $6.4 billion in the revenues needed to meet existing service requirements for 1991-92. If the need for a reserve fund is considered, the state's budget shortfall for 1991-92 amounts to almost $10 billion. Consequently, the likelihood of increased educational expenditures in the next few years is slim.

[10]All property pays a tax rate 1 percent plus any outstanding bonded indebtedness from before Proposition 13's passage, or any debt approved since 1986 when local governments were given authority to levy taxes for general obligation bonds with a 2/3 majority vote. Thus, tax effort across districts is equalized. Proposition 13 did not equalize tax effort across similar properties that were purchased at different times, and thus reassessed upon sale. Therefore, differences in tax effort among individuals are common.

Not only do the schools have to compete with other state programs and services, in recent years, they have competed among themselves in determining how revenues should be distributed. The rapid growth in categorical programs in the state is evidence of districts banding together around a mutual interest to garner additional state funds to finance their particular needs. This is most clearly evidenced by the supplemental grant program enacted last year that provides districts categorical funds in inverse proportion to the amount of other categorical grants they receive. The rural and suburban school districts who viewed the distribution of categorical funds as favoring urban districts across the state banded together and got the legislature to set aside $180 million for this program.

Finally, the schools' predicament is complicated by the requirements of Proposition 98. If the state elects to raise taxes, Proposition 98 requires that all of the first $2 billion in taxes raised go to the schools, and that of the next $100 million, only $60 million can be spent on non educational programs. Beyond $2.1 billion the Gann spending limit forces the state to give half of the increase to the schools and to return the other half to the taxpayers. Thus, without the suspension of Proposition 98, no matter how much the legislature raises taxes, state services other than education would only receive $ 60 million. Whether or not the state raises taxes, suspension of Proposition 98 seems likely this year. This means further slippage in spending per ADA. In fact, if the COLA is zero as recommended by the Governor, real spending per ADA will decline for the second year in a row across the state.

California has achieved a system that largely equalizes expenditure disparities and has eliminated differences in tax effort across districts. The price of this achievement has been increased state control over the level of revenue available to school districts. Even the education community's efforts to garner a fixed percentage of the state budget for schools has failed to provide substantial growth in educational funding. As a result, California lags behind most of the industrialized states in the country in educational expenditures per pupil.

It appears that increased equity the California system has achieved has also created more Chevrolets and fewer Cadillacs among the state's schools.

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Figure 6
Proposition 98 Funding Guarantee
1990-91 (in billions)