California's Challenge

Adequately Funding Education in the 21st Century

Editor's Note

This is a report about the adequacy of funding California public schools. The California School Boards Association (CBSA) cares deeply about the systematic underfunding of our schools. CSBA has taken legal action to challenge the state's dereliction of duties at providing a constitutionally guaranteed right to an equitable educational opportunity by filing a lawsuit, *Robles-Wong v. California*. In addition, we believe that investing adequately in the education of our children is just good public policy. CSBA has long advocated for a greater investment in public education and includes "fair funding" as one of the five pillars supporting its Policy Platform. The future of California depends on our schools' abilities to prepare the next generation for college, career and civic life.

The Education Legal Alliance (ELA), following discussions with delegates at CSBA's Delegate Assembly meeting in December 2014, organized a committee composed of school board members, superintendents, and finance and education specialists to prepare a report on where the state's current funding system stands relative to adequacy.

This report by the ELA Adequacy Committee describes in detail the substantial gap in funding between what K-12 education receives and what K-12 education needs in order to meet the standards prescribed by the state. The report illustrates this gap in funding by comparing California's effort in funding and staffing public schools with the efforts made by other states. The Committee, with the help of CSBA's Delegate Assembly, paints a vivid picture of what a 21st Century education would look like with adequate funding and explores the components of an adequately funded education system. The report includes brief descriptions of the taxes that fund public education and of some current tax reform proposals that could, if taken together, fully fund a 21st Century education. The report concludes with recommendations to CSBA's leadership as to what steps should be taken to implement the Committee's findings.

The report's chapter authors, Rob Manwaring, Josh Daniels, Peter Wright, Manuel Buenrostro, and Naomi Eason, were inspired by the valuable contribution made by the Adequacy Committee and the Delegate Assembly in their breakout sessions where they explored what adequate funding would mean to California schools. A project of this kind could not have been undertaken without the support of CSBA's leadership, especially its President, Jesús Holguín, and its Executive Director, Vernon Billy. There were also several staff members from CSBA's legal, policy and governmental relations departments who worked together to move this project forward. In sum, this report is a snapshot of the efforts made by many to update a story that has been told for decades: California public schools are inadequately funded and need the support of state lawmakers and the public to fund a school system that will provide the opportunity for all students to attend and receive the benefits of a 21st Century education.

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CSBA's Education Legal Alliance (ELA) is a consortium of school districts, county offices of education, and Regional Occupational Centers/Programs that voluntarily joined together in 1992 to create a powerful force to pursue and defend a broad spectrum of statewide public education interests before state and federal courts, state agencies, and the legislature. The ELA initiates and supports legal activities in areas of statewide significance to all California schools. Working with school attorneys, the efforts of the ELA has proven highly effective in protecting the interests of schools and the students they serve. For more information, go to **www.csba.org/ela**.

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Executive Summary

Chapter 1 of this report explores the level of inadequacy of the current funding system by building on the foundation of two highly respected academic studies on adequacy conducted as part of the Getting Down to Facts (GDTF) research project. In updating the findings of those studies, the report concludes that the current K-12 funding level is underfunded by $22 billion to $42 billion. Chapter 2 provides updates of key comparisons to other states of California's funding and staffing levels. Among other things, it shows that California is $3,427 per pupil behind the national average when regional cost differences are considered.

Chapter 3 captures the discussion by members of the ELA Adequacy Committee in answering — "How has the current lack of adequate funding impacted the students in your district?" and "How would an adequate level of funding impact students in your district?" The Committee discussed the impact that the underfunding has had on student learning, staffing, budgets and the school environment. This chapter also details the responses from CSBA delegates who were asked to "create a school of the future without being limited by any financial or regulatory constraints." They reported that meeting the demands of a 21st Century education will require schools to prepare high school graduates who are ready for college and career and much more.

Chapter 4 discusses both the constitutional duty and economic imperative that the state has to increase its investment in our students. It recognizes the expectations set by the Local Control Funding Formula (LCFF) through the state priorities and identifies several related indicators that can measure success in an adequately funded system. Chapter 4 also describes the components of an adequate school system and looks at how California schools are doing on some of the key indicators, and finds that there is more work to be done.

To reach an adequate funding level, the state may need to consider revenue increases in order to provide an adequate funding system. Chapter 5 identifies increased revenue proposals that are being considered around the state that could support an adequately funded system.

Chapter 6 includes the Committee's recommendations to CSBA's leadership on how initially to proceed with addressing the issues relating to adequately funding K-12 education raised in this report.

Chapter 1: Adequacy — An Update on the Getting Down to Facts

In 2007, a bipartisan group of California leaders commissioned a report that described in detail what many in public education had known for decades: the state's financial contribution to public education falls far short of funding the educational program and standards prescribed by the state and federal lawmakers. GDTF, a compendium of studies

included in a research project conducted by Stanford University, has been cited to as the research foundation supporting the weighted student formula and its successor, the LCFF.

Two of the GDTF studies focused on the question of funding adequacy in California school financing. One of the papers was written by the Public Policy Institute of California (PPIC) and the other by the American Institute of Research (AIR). Both studies estimated how much additional money the state would need in order to move schools to a specified state goal for the system. The PPIC study estimated how much it would cost to move all schools to a score of 800 on the Academic Performance Index (API). The AIR study estimated how much it would cost to move all schools to the 2011-12 State Board of Education (SBE) established achievement targets under the federal No Child Left Behind Act (NCLB).

To fund all schools to reach 800 API, the PPIC estimated it would take an additional $17 billion, or a 40 percent increase over 2003-04 funding. The two panels of professionals assembled by AIR concluded that to meet the SBE standards under the NCLB, California would have to spend between $24 billion (a 53% increase) and $32 billion (a 71% increase) above the amount allocated for K-12 education in 2004-05. In this report, an annual K-12 statutory cost of living adjustment (COLA), roughly a 3 percent annual COLA on average, was applied to estimate adequate funding levels. Not surprisingly, the gap between actual funding and what is needed to fully fund education has grown to $22 billion using the PPIC assumptions. The temporary increase in K-12 funding from Proposition 30 has allowed most districts to recover from the Great Recession, but has not helped make much progress toward adequate funding. Using the assumptions developed by the two panels in the AIR study, the estimated adequacy funding level has increased to $31 billion and $42 billion.

In addition to updating the GDTF, Chapter 1 explores the statutory changes that have increased the level of expectation for students and staff alike: Common Core Standards and the state's LCFF priorities for school districts and county offices of education (COEs). The true impact of the Common Core will be measured by the state's new student assessment, the Smarter Balance Assessment (SBA), while the impact of the LCFF will be measured by each district's local control and accountability plan (LCAP). The LCFF, with indicators that are broader than the currently suspended API or NCLB, will require districts and COEs to do additional work to meet the state's goals, including attention to college and career readiness, conditions of learning, school climate and engagement.

This update of GDTF focuses on the state's commitment to funding education. Any report examining the state's commitment to adequacy must also focus on actions taken by the state that increase operational costs and diminish the value of every public dollar received by a school district or COE. For example, by increasing the employer's contribution rate to 19.1 percentage points by 2019 (a 132% increase from the rate in 2013-14), districts will be contributing an additional $170 billion over the next 30 years to the State Teachers Retirement System. This increase, compounded by an increase in the employer's contribution to the California Public Employee's Retirement System to a rate of 20.1% by 2019 (a 76% increase from the rate in 2013-14), will drive budgeting decisions at the local level and detrimentally influence the goal setting process envisioned by the LCFF. Many districts and COEs must also budget for local postretirement benefit obligations of over $20 billion statewide. In addition, districts may need to prepare to incur greater facility construction obligations as the Governor has proposed shifting responsibility to districts.

The costs of purchasing, training, maintaining and constantly updating electronic communication devices and providing faster and more reliable internet service continue to soar. The technology costs to administer the new standardized, computer-adaptive assessments has been estimated to be $600 million beyond what the state has allocated. The costs of underfunded and unpaid mandates continue to limit the capability of many districts to adequately meet the demands of their students, staff and the public.

In addition, the cost of providing the local share of special education funding continues to grow. In a study completed by AIR in 2012, the special education costs for a typical district have grown from 21.9% in 2002-03 of the local general fund to 32.1% of the local general fund. With school districts, COEs, and the state paying more than the federal government, the commitment by Congress in 1965 to fund 40 percent of the cost continues to be a false promise. A more recent factor contributing to increased special education costs has been the rapid growth in the number of students identified

with autism. The growth in students with intensive needs, along with special education students lagging far behind their grade-level peers on the 2014 SBA, will likely increase the cost of providing special education services without any additional funding.

Chapter 1 concludes by describing the change brought about by Proposition 30, which took out of the Proposition 98 calculation roughly $6 billion in permanent tax receipts and replaced them with temporary taxes that generate approximately $8 billion. The necessity of continuing the temporary funding stream established by Proposition 30, or better yet, of significantly increasing it, is a key step to eliminating the gap between what is expected of public education and what has been funded to achieve those expectations.

Chapter 2: A Snapshot of Education Adequacy in California — Presentation to the May 2015 CSBA Delegate Assembly

In May of 2015, Rob Manwaring, CSBA's consultant on finance and fiscal policy, presented to CSBA's Delegate Assembly a snapshot of California's commitment to public education when compared to other states. Prior to the passage of Proposition 13 in 1978, California's funding of K-12 education was near the national average. Depending upon the index used, California currently ranks between 33rd and 45th nationally on per-pupil spending. When adjusted for the regional salary cost differences in California, Ed Week reported that in 2011-12, California lawmakers allocated $3,427 per pupil less than the national average. In order to move California to the national average, the state would have to spend an additional $10 billion to over $23 billion depending upon the index used. In a state that ranks 10th nationally in per capita income and 24th in state and local government spending, California's national rank of 44th in spending on K-12 education reflects a failure on the part of lawmakers to prioritize public education.

One consequence of California's failure to prioritize K-12 education is low staffing levels. California schools rank 49th nationally in pupils per teacher. To illustrate this point, California has 42,000 fewer teachers than Texas, yet its schools serve 1.4 million more students. In overall staffing levels, California ranks 49th nationally and would need to hire 237,000 educators and instructional aides just to meet the national average. The failure to commit adequate resources to fully fund education, when combined with the needs of California's student population, has created an achievement gap that, without additional resources, is unlikely to be closed. Notably, California has the highest percentage of English learners and low income students in the country, as well as a higher poverty rate than any other state. Although the LCFF is designed to more equitably address the needs of these students, the intent of the LCFF to return all districts to at least 2007-08 funding levels is still woefully short of what is realistically needed to fund California's K-12 educational program.

Chapter 3: 21st Century Education

In March of 2015, the ELA Adequacy Committee met to respond to two questions: How has the current lack of adequate funding impacted the students in your district? How would an adequate level of funding impact students in your district? Committee members identified the greatest impacts of an underfunded public education system to be about the most fundamental and critical aspects of schooling: student learning, staffing, budgets and the school environment. Committee members also mentioned that inadequate funding affects a district's ability to provide extended learning opportunities, meet the technology demands and expectations of the 21st Century student, address the needs of the whole child, and provide teachers and leaders with effective professional development.

Two months later in May, members of CSBA's Delegate Assembly were asked to "create a school of the future without being limited by any financial or regulatory constraints." The results of the work from these two groups include many common themes and interests of what an adequately funded education system would encompass. Their overall vision was that school sites would serve as resource centers able to meet multiple needs of students and their families and that high school graduates would be college and career ready, having mastered languages and studied cultural traditions

from all over the world as part of their preparation. Members also identified specific elements of an adequately funded 21st Century education to include personalized learning plans that would provide an array of services not limited to the school day, highly qualified teachers with the training and tools to instruct the 21st Century student, and facilities in which to provide instruction and services that would incorporate the most up-to-date technology and design.

A predominant interest expressed by both groups was the potential impact additional funding could have on student learning. In particular, the development of personalized learning plans accompanied by targeted instruction inclusive of real-time assessment and feedback, was mentioned as an important early intervention tool that could be used to close the achievement gap. Rearranging teaching schedules to maximize team teaching across subject matter and grade levels was also mentioned as a way to more effectively deliver instruction to each student.

Consistent with the approach of personalized learning plans, the Adequacy Committee and the Delegate Assembly supported the concept of school sites offering basic supports to the "whole child." These "community schools" would address the academic, socio-emotional, and health needs of every student. Schools would connect students and their families to providers of dental, vison and mental health care. Additionally, students would be provided nutritious meals and school supplies necessary to participate in a 21st Century education.

Finally, topping their list of an adequately funded education would be the construction of modern classrooms designed to reach and teach the 21st Century student. Classrooms would provide thermal comfort, be well ventilated and well lit, and be acoustically sound. Classrooms would be equipped with electronic communication devices and high speed access to the Internet. Teachers and the technology specialists supporting instruction would continually be trained to be conversant in the technology and the devices being used by students outside of the classroom. Also, access to course-work on the Internet outside of the classroom was mentioned as fundamental to student learning in order to expand the opportunity for academic success.

Chapter 4: Measuring Adequacy — Graduating with Options

The goal of a public education system fueled by adequate funding is that all students graduate from high school college and career ready. This chapter begins by discussing the constitutional and economic imperative to establish an adequately funded education system. There are clear benefits of a quality education system to students as they meet their potential and to the state through savings in social programs and increased tax revenue.

Chapter 4 describes specific indicators of student outcomes that would show whether students were on path to achieving college and career readiness at graduation. The expectations for these indicators are realistic but ambitious. Most of the indicators, such as the progress of English learner reclassification and high school graduation rates, are directly connected to an LCAP priority. One indicator listed, the need for college remediation, is not directly connected but represents an important outcome for students. This connection of anticipated outcomes with credible accountability measures is a necessary ingredient in the pursuit of adequate funding.

The results of the present education system are examined by a review of the SBA results taken by high school students in the fall of 2014. The results show a low rate of students meeting or exceeding standards in English language arts (44%) and mathematics (31%). The test results also show a significant gap between the success of white students and students who are African American or Latino, and between low-income and non-low-income students. Similarly, high school graduation rates differ significantly between white students and African American and Latino students. The report also shows a high need for college remediation at CSU, UC, and California Community College campuses. For example, at CSU campuses, only 59 percent of admitted freshmen were prepared for both college-level English and math in the fall of 2014. For African American students, only 38 percent were prepared in both subjects, and for Latino students, only 48 percent were prepared.

The report identifies the possible components of an adequate school system. These components, which are described below, are research-based and support both the Adequacy Committee's and the Delegate Assembly's work in identifying what a 21st Century education would entail:

- Creating and delivering new and effective instructional strategies including programs centered on career knowledge, 21st Century skills and rigorous academic standards
- Recruiting, training and supporting a highly qualified staff
- Investing in early education
- Increasing support for economically disadvantaged students, English learners, foster and homeless youth, and students with exceptional needs
- Aligning high school programs with college and industry needs and monitoring student outcomes

With adequate funding, along with leadership and the right components and indicators, districts would be able to take the steps necessary to meet the goal of all students graduating high school and being ready for college, career and civic life.

Chapter 5: Increasing the Size of the Pie

Meeting the standards prescribed by state lawmakers is no small task. Closing the achievement gap, educating the 21st Century student in facilities regularly equipped with technology and devices students will actually use, and equipping educators with the necessary skills to reach the 21st Century student will require an ongoing allocation of financial resources sufficient to meet the requirements of a 21st Century education. Chapter 5 addresses the means by which public funding for K-12 education could be increased.

The funding for education from the state comes from three primary sources: the Personal Income Tax (PIT), the Corporate Income Tax (CIT), and the Sales and Use Tax (SUT). The PIT, especially the capital gains tax, has been a major generator of the General Fund revenue included in the Proposition 98 calculation for California schools. Proposition 30 temporarily increased the PIT tax rates on the highest income earners, generating $6.5 billion for public education. Doubling of the Proposition 30 PIT rate increases on high income earners could potentially generate another $6.5 billion in new revenue. The report notes that the CIT is not a major generator of revenue for California schools. For example, to raise $5 billion would require a rate increase of 50%. The option of closing tax loopholes available to corporations would result in an increase in revenue but would net less than $1 billion dollars. The report also examines the potential of raising revenues from other goods sold or produced in California: oil, tobacco, sugary drinks and, if approved by the voters, recreational marijuana. The most generous estimates peg the dollar value of taxing these commodities at just under $5 billion combined.

The SUT is set at 7.50 percent, a rate which may be increased up to 2.5 percentage points by cities and counties with voter approval. As recently demonstrated by the approval of Proposition 30, which temporarily increased the SUT by 0.25 percent, a 1 percentage point increase to SUT could generate an additional $6 billion for public education. There has been significant discussion regarding the possibility of expanding the scope of the SUT beyond tangible goods to encompass services. According to a recent report from California Forward, including only "services already connected to taxable retail activities such as auto repair, entertainment, sporting events, and personal services like hair salons … is likely to raise between $5 billion and $7 billion each year." A much broader expansion to include most services, including business-to-business services "such as advertising, financial, and legal services … could generate between $13 billion and $25 billion."

Chapter 5 also discusses the Local Property Tax (LPT). The LPT was capped at 1 percent of assessed value by the voters' approval of Proposition 13 in 1978. In 2015-16, the LPT will generate approximately $50 billion statewide. Recent proposals to permit the rate on commercial property to increase much faster upon its resale is estimated to generate $9 billion in new revenues.

However, an increase in LPT revenues for education would need to be accomplished through a constitutional amendment because any statutory-based increase would run into the following issues:

- Proposition 98, approved by voters in 1988, established a minimum required spending level (known as the "minimum guarantee") for K-14 education. Almost all statutory-based LPT revenue allocated to districts and COE's counts as spending for purposes of Proposition 98. Thus, if overall LPT revenues go up — e.g., due to an increase in the commercial property tax rate — then the state (via the General Fund) can contribute less to ensure that the minimum guarantee is being satisfied.

- Any statutory proposal that exempts new LPT revenue from Proposition 98 would face the challenge of *Serrano v. Priest*. In *Serrano*, the California Supreme Court held that it was unconstitutional for district wealth to be a determinant to the enjoyment of education except in very narrow circumstances. Thus, any statutory-based increase in LPT revenues that would disproportionality benefit wealthier districts would need to include additional revenues to equalize the benefits across all districts.

Chapter 5 concludes with a chart showing that the estimated amount of revenue generated by the reform proposals included in the chapter would range between $21.1 billion and $45.8 billion. To maximize the creation of new revenue streams, what is needed in large quantities is the political will to fully fund education so the 6,000,000 students attending California's public schools have the opportunity to receive a 21st Century education.

Chapter 6: Adequacy Committee Recommendations

The report concludes with recommendations from the Committee to CSBA's leadership. These recommendations include encouraging CSBA to be bold in its efforts to secure adequate funding and to enlist willing partners to help advocate for the resources necessary to fully fund a 21st Century education. The Committee recognized that the public would be the primary audience of this report and that additional information and materials would be needed to communicate the content to a wider audience. Finally, the Committee recommended that the use of this report be strategic and thoughtful, taking into account many variables, including social and political environments.

Chapter 1

Adequacy — An Update on the "Getting Down to Facts" Report

In 2007, the state underwent a systematic review of its education system. The "Getting Down to Facts" ("GDTF") report was the largest independent investigation of how California governs and funds public education. It was commissioned at the request of a bipartisan group of California leaders, including the President Pro Tem of the California State Senate, the Speaker of the California State Assembly, the Superintendent of Public Instruction, the Governor's Advisory Committee on Educational Excellence, and the State Secretary of Education. The results were delivered in 24 separate papers studying education finance, governance, personnel, data, special education, English learners and charter schools. The state has made significant policy changes based on these studies and additional work has built on these studies. Specifically, the foundation supporting the shift in the state's education finance and governance system to the Local Control Funding Formula (LCFF) is built in part on the findings made by these studies. And while that shift has addressed many of the short-comings of the prior revenue limit system identified in GDTF, one area where there is still significant work to be done is on the overall adequacy of the state's funding system. This chapter will first review the adequacy related findings of the GDTF report and then provide an update to determine how the state's current funding compares to an adequate funding level as determined by the GDTF studies. The chapter also explores factors that have changed since the GDTF studies were conducted and others that should be considered in framing the adequacy of California's current funding.

Two of the GDTF studies focused on the question of the adequacy of California's school funding at that time. One of the papers was written by the Public Policy Institute of California (PPIC)[1] and the other one by the American Institute of Research (AIR)[2]. Not surprisingly, California's investment in its schools was found wanting by both studies. Figure 1 summarizes the key methodologies and findings of these two studies.

Both studies estimated how much additional money the state would need to spend in order to move schools to a specified state goal for the system. The PPIC study focused on the state's accountability system goal as established in the Public School Accountability Act.[3] Specifically, the study estimated how much it would cost to move all schools to a score of 800 on the Academic Performance Index (API). The PPIC estimated it would take an additional $17 billion (or a 40 percent increase over 2003-04 spending levels) in funding for all schools to be able to meet an API score of 800.

1 Public Policy Institute of California (2007) Aligning School Finance with Academic Standards: A Weighted Student Formula Based on a Survey of Practitioners.

2 American Institute of Research (2007) Efficiency and Adequacy in California School Finance: A Professional Judgment Approach.

3 See Educ. Code, § 52050 *et seq.*

The AIR study estimated how much it would cost to move all schools to the 2011-12 State Board of Education (SBE) established achievement targets under the federal No Child Left Behind Act (NCLB). NCLB required states to set specific expectations for their schools in terms of the percent proficient (as defined by the state) on the state test, graduation rates and other indicators. The AIR study estimates how much it would cost for schools to achieve these goals. Specifically, it estimates the amount that schools would need to be provided in order to move between 77% to 79% of students to the proficient level on the STAR test in various grades/subjects, increase each school's graduation rate to at least 83.4 percent, and increase the API to at least 740.

The AIR study relied upon two different panels of professionals in calculating the cost to meet the goals under NCLB. Thus, the AIR study had two cost estimates. One panel concluded an additional $24 billion (a 53% increase) was needed, and the other panel concluded an additional $32 billion (a 71% increase) was needed, both relative to the spending level in 2004-05.

While these studies reported that some of the additional funding would need to be provided for a typical school to meet the specific state or federal goals, most of the additional funding that would be required would need to be invested in schools with large portions of low income, English learners, or special need students. The finding of these studies, especially the PPIC study, influenced a follow-up paper to GDTF, "Getting Beyond the Facts: Reforming California School Finance" by Alan Bersin, Michael Kirst and Goodwin Liu. According to Kirst, now President of SBE, this paper created the foundation for what has evolved into LCFF.

Figure 1: Summary of the Getting Down to Facts Adequacy Studies

Public Policy Institute of California	American Institute of Research
Study Methodology	
Educational professionals were asked about the level of improvement in a school's Academic Performance Index (API) that could be achieved with various levels of additional funding, and how those additional funds would be invested to achieve the improvement within a constrained school budget. These simulations were run for schools with differing demographics. The study then calculated what level of funding it would take to move all schools to an API score of at least 800.	Two panels of educational experts were asked to identify the programs, services and resources necessary for a typical school to meet the SBE established standards (see below) for 2011-12 under the NCLB Act. The panels then identified how those programs, services and resources would change for schools serving varying school populations including students eligible for a free or reduced lunch, English learners and students with special needs.
Studies Goal for the System	
Public School Accountability Act performance goals - an API score of 800. Additional adequacy scenarios were run for different state goals based on the percent of students proficient on the STAR math test, or on the school's graduation rates.	The NCLB academic goals for 2011-12. This includes proficiency rates on the STAR test for English and math that range from 77% to 79% depending on the test and grade range, at least an API score of 740, and a graduation rate of at least 83.4%.
Estimated Additional Funding Needed	
$17 billion more than the state's 2003-04 funding level (roughly a 40% increase)	One panel recommended an additional $24 billion (53% increase) above the 2004-05 funding level. The second panel recommended an additional $32 billion (71 % increase) above the 2004-05 funding level.

Public Policy Institute of California	American Institute of Research
Other Findings	
The level of funding estimated to be needed to achieve the state goal of an API score of 800 varied with the school's demographics. For example, the cost estimates increased dramatically for schools with higher percentages of students eligible for a free or reduced priced lunch. So for schools with virtually no low income students, no additional resources were needed (API likely to already be above state target), but the additional funding was thousands of dollars per student higher for schools with concentrations of low income students.	The panels identified preschool and early learning, reduced class sizes (elementary schools), extended day and year, specialists to work with small groups and professional development as some of the key investments that would need to be made to help all schools meet the state's targets. The additional level of funding that a school would need varied significantly with the underlying student population served by the school.

Updating the Estimates of the "Getting Down to Facts" Report

Much has changed since GDTF was released in 2007. What Governor Schwarzenegger declared as the "year of education" quickly devolved into the start of the Great Recession, not only ending the potential year of education, but also putting the GDTF report on the shelf, and cutting school funding in ways not seen since Proposition 13 passed in 1978. Now that the state has largely recovered from that downturn, and with the passage of Proposition 30, school funding has been restored to roughly prerecession levels and the issue of adequacy has resurfaced. It is reasonable to ask where California funding is currently relative to the funding level when the GDTF studies were conducted, and whether the state has made any progress toward what the GDTF studies identified as an adequately funded system.

Figure 2 shows how actual funding fared relative to the PPIC adequate funding level over time. It compares the actual state and local funding provided to schools over the past several years to the PPIC 2003-04 estimate of an adequate education adjusted for COLA. Specifically, this analysis adjusts the PPIC 2003-04 adequate funding level by the annual K-12 COLA as calculated by the Department of Finance based on the Census Bureau's State and Local Price Deflator. Over this time period, the K-12 COLA averaged just under 3 percent per year, so the level of funding needed to provide an adequate education has been assumed in this report to increase by around 3 percent annually. This estimate of an adequate education funding level, as defined in GDTF, after adjusted annually for COLA, is then compared to the actual K-12 funding provided by the state.

In 2003-04, the PPIC estimated the adequate funding level at $60 billion. The actual state and local K-12 spending at that time was $43 billion, a $17 billion gap. By 2011-12, actual funding had grown only slightly above the 2003-04 level to $45 billion. In contrast, the COLA adjusted adequate funding level had increased to $79 billion, and the adequacy gap had grown to $34 billion. In percentage terms, the state would have had to increase spending by roughly 75% to adequately fund education in 2011-12. Since the depths of the recession, state funding has increased dramatically, basically restoring funding levels to pre-recession levels (adjusted for COLA). However, even with these restorations, using PPIC assumptions, the gap between what has been allocated and what is needed to fully fund education has grown. The gap currently stands at $22 billion, which is greater than the 2003-04 gap in absolute terms. In percentage terms, the state would need to increase education spending by 35% in 2015-16 to adequately fund education; in 2003-04, the percentage was closer to 40%.

Figure 2: Actual K-12 Funding Compared to PPIC Estimated Adequate Funding Level (adjusted for COLA)

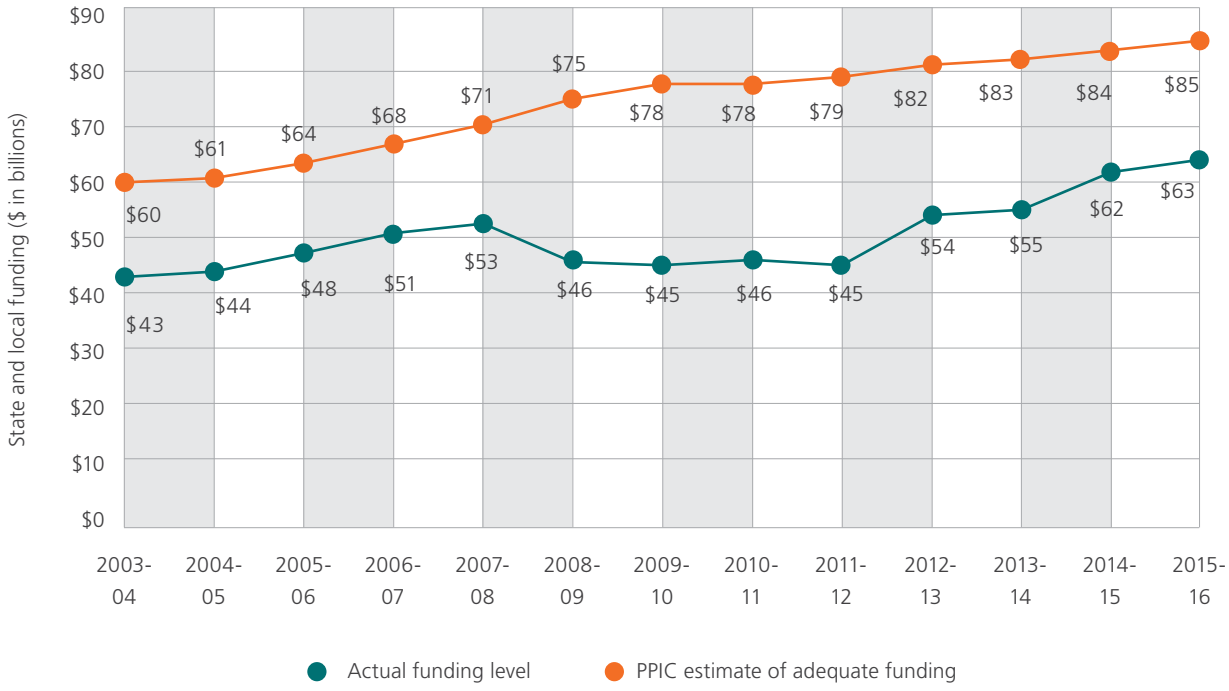


Figure 3: Actual K-12 Funding Compared to AIR Estimated Adequate Funding Levels (adjusted for COLA)

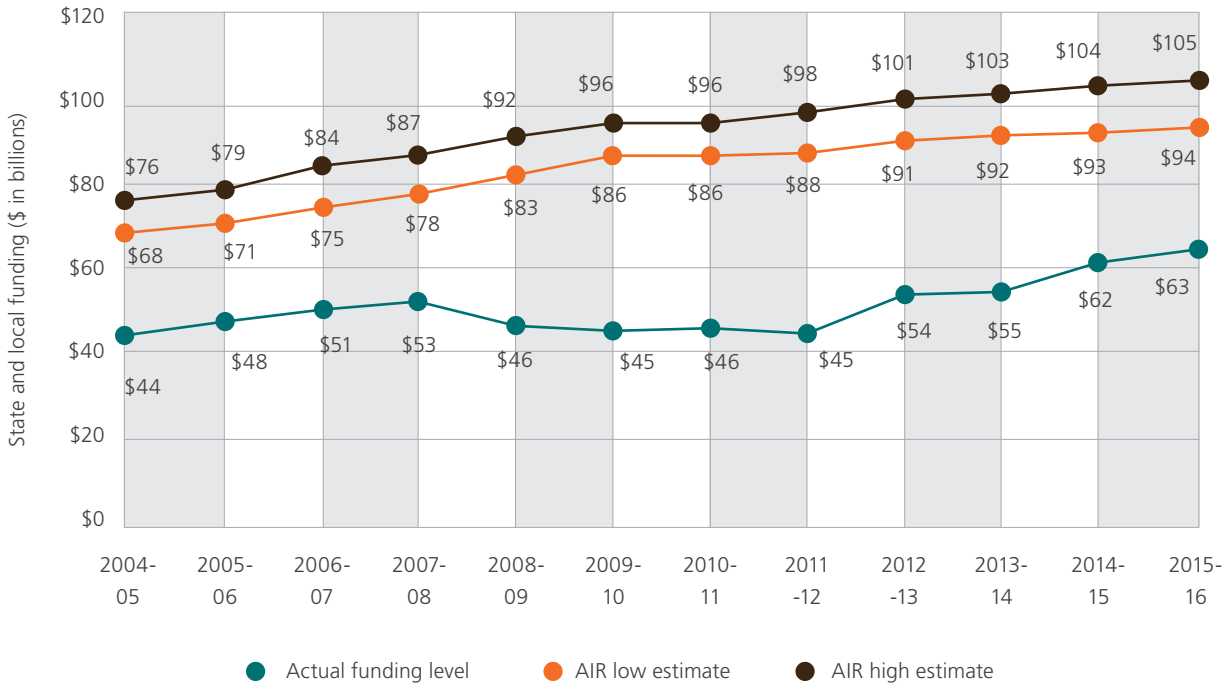


Figure 3 shows how the gap between actual funding and the two AIR estimated adequacy funding levels has changed over time. Again for this analysis, the adequate funding estimates as previously determined by the two expert panels for the 2004-05 school year was updated annually by the K-12 COLA, and then compared to the actual K-12 spending levels. Similar to the PPIC estimates discussed above, the gap grew during the Great Recession and has declined during the most recent recovery, in part due to the temporary funding from Proposition 30. The adequacy funding gap for AIR has grown compared to its original level in terms of total dollars, but is slightly less in terms of the percentage increase. It started somewhere between $24 billion and $32 billion (between 53% and 71% gap) in 2004-05. Updated adequacy gaps for the AIR studies in 2015-16 are between $31 billion and $42 billion (between 50% and 67% gap). Like the PPIC study, although the gaps have increased in absolute terms due in part to the temporary increase in funding attributed to Proposition 30, the percentage of the state's spending on education has recently increased by about 5 percent.

Local Control Funding Formula Creates the Right Framework to Provide Adequate Funding, But the Base Grants Are Simply Too Low

From an adequacy perspective, LCFF is a significant step forward in moving toward a system that acknowledges that students have very different needs and that some groups of students have higher needs because of the impact of poverty or language barriers, and therefore will need more supports in order to achieve the state's expectations. By providing districts serving higher percentages of low income, English learner and foster youth with supplemental and concentration grant funding, the state is beginning to align resource allocations with needs. However, when adopting the LCFF, the Legislature and the Governor did not determine what the appropriate base level of funding was in order for all districts to meet the priorities that the state set. The focus was largely on ensuring that each district at least got back to pre-recession levels (2007-08), despite the fact that the GDTF studies found these funding levels to be significantly inadequate.

With the funding increases for LCFF in the 2015-16 budget, full implementation of LCFF is only $5.6 billion away. This is a desirable short-term goal because it (1) assures that all districts will be at least at prerecession levels and (2) provides a higher level of funding for districts with large numbers of students with additional needs which aligns to the structure that the GDTF reports conclude the state needs. However, full implementation will still leave a significant gap between what is allocated and what would be an adequate funding level. Thus, to move toward adequacy in the LCFF system, a combination of two things would need to happen. First, the state would need to increase the base grant levels to reflect what it would take for schools to meet all of the other expectations created by the LCFF. Second, the state would need to increase some combination of the supplemental and concentration grant percentages to provide even more funding to those districts serving students with greater needs that the adequacy studies have identified as needing a higher level of funding to support a higher level of service.

The State Has Increased Expectations for Students, Schools, and Districts

The theory behind adequacy is to answer the question of how much funding the state must invest in order to provide schools the needed resources in order to achieve specific educational outcomes. In the studies discussed above, those outcomes were generally a specific API score or a level of proficiency on the state's STAR assessments. Since that time the state has increased expectations for schools in two ways. First, it adopted new higher academic content and performance standards based on the Common Core — the California State Standards, and the performance expectations of meeting those standards as measured by student performance on the SBA. Second, the state broadened its expectations for schools when it established the LCFF and required districts and COEs to invest their resources in actions to achieve higher goals in eight state priority areas for districts and ten for COEs. As the state raises its expectation for schools, it concurrently raises the amount of funding that would be needed to provide districts and COEs a reasonable opportunity to meet those higher expectations.

California State Standards Sets Higher Bar

California State Standards focus on moving all students to be ready for college and career when they graduate from high school. Standards developers started their work by figuring out the skills that were needed in college and then effectively reverse engineered what it would take to get students to that level by high school graduation. To meet the higher level of readiness, the California State Standards requires students to have stronger critical thinking skills and to be able to access deeper learning. For example, California State Standards in 11th grade mean that students are conditionally ready (still need to pass their coursework in their senior year) to do college level work at one of the California State University campuses or California Community College campuses. The standards reflect a higher achievement expectation than the old standards and the accompanying performance expectations that were used in the adequacy estimates discussed above. As expected, when the SBA was first administered in the spring of 2015, far fewer students met or exceeded the new standards than under the old standards and the STAR tests. To the extent that more students will need a greater level of support, the cost of providing an adequate education using the California State Standards is likely higher than it was under the old standards. In the short term, these higher costs will be for instructional materials, professional development and improved technology. In the longer term, fully meeting the California State Standards for almost all students, will likely require ensuring that students start on track (additional early learning and preschool supports), and then stay on track with additional supports such as more instructional time, smaller class sizes especially in elementary grades, more support services, and higher quality instruction supported by greater planning/collaboration time and professional development. All of these investments were identified in the adequacy studies discussed above.

- **LCFF Requires Districts to Meet Multiple State Priorities, Not Just Ensuring Students Proficiency in Math and English.** The LCFF requires districts to identify metrics, set goals, and align budget investments to meeting eight state priorities that include over twenty specific metrics. Compared to the outcomes that the state set for schools and districts under either the state system (API) or the federal system (student proficiency rates, graduation rates, and the API), the state is now requiring schools to focus on much broader indicators. These metrics include additional student outcomes (college readiness, career readiness, English learner proficiency and reclassification, advance placement exam passage, and other pupil outcome in core subjects), engagement and climate indicators (attendance, chronic absence, dropout, suspensions, expulsions, parental engagement and involvement, school climate surveys, and other climate indicators), and conditions of learning (teacher quality and misassignment, access to instructional materials, adequate facilities, implementation of state standards, and access to courses in core academic areas). These additional indicators will require districts to do additional work to meet the state's goals. For example, to address engagement and school climate indicators, many districts may have to implement or expand programs to support students, address trauma, provide restorative justice, and enhance parental involvement. All of these new or expanded programs will need to be done with existing resources. Additionally, the SBE is required to set performance and improvement standards for each of the LCFF priorities by October 2016. When those standards are set, it will almost certainly establish a higher level of expectation for the state's schools.

Additional Cost Pressures Build for Districts to Make Up for Past Under-Investments

- **Districts face increased pension costs.** Faced with $74 billion in unfunded liabilities (current obligations are only 67% funded) in the State Teacher Retirement System (STRS) in the 2014-15 budget, the state began increasing the contribution rates that will be made to the STRS system. Historically, districts have contributed 8.25% of a teacher's salary to STRS. The district contribution rate will increase through 2020-21 to a contribution rate of 19.1%, an additional percentage point contribution of 10.85 percentage points. (This would result in a percentage increase of 132 percent.) Since on average around half of district costs are teacher salaries, the 10.85% percentage point STRS contribution increase translates into an over 5% increase in total operating costs. By 2020-21, this will result in over $3 billion in additional annual costs to schools by the time the new rates fully kick in. Over the next 30 years, districts will be contributing an additional $170 billion to STRS. The California Public Employees' Retirement System (the retirement system for non-teaching school staff) is requiring a similar

level of retirement contribution rate increases, from 11.4% to 20.1%, an 8.7 percentage point increase. (This would result in a percentage increase of 76 percent.) This rate increase will result in additional costs to districts in the order of $750 million to a $1 billion annually by full implementation. Because the year-to-year funding increases under LCFF vary by district, for some districts the increase in STRS and PERS costs will exceed the total increase in LCFF funding that districts receive, and for even more districts these additional costs will exceed the growth in base funding over the next several years.

- **Many districts face retiree health benefit obligations and other postretirement benefits.** Another symptom of the states underinvestment in our schools is the unfunded obligations that individual districts have for postretirement benefits, mainly health benefits for retirees. Statewide, districts have over $20 billion in these obligations. The outstanding obligations vary significantly by district. Some districts face no costs either because they have not provided the benefits or because they have set funding aside to cover the costs of these benefits. Generally, districts that have provided benefits pay for them on a pay as you go basis. As a result, the obligations have grown and continue to grow as health care costs increase. The annual costs to pay for these obligations will mean that many districts will need to reduce their educational program to cover these growing expenses.

Additional Cost Pressures Because of Shift in State Policy

- **Greater facility obligations potentially shifting to districts.** Historically, school facilities has been funded through a combination of state and local funding. State school facility bonds have provided matching funds for locally generated capital improvement funding (local school bonds, developer fees or other sources). For most facility projects, the state has provided between 50% to 60% of the funding, and in some hardship cases a higher percentage. However, funds from the last state school bond passed in 2006 have been exhausted, and there is already a $2 billion backlog of local projects awaiting a new state bond to provide matching funds, and an estimated $20 billion is needed over the next decade. In the last several budgets, the Governor has called for reconsideration of the state's role in funding facilities, and has suggested that facility costs and operational costs should be funded from one pot. Moreover, the Department of Finance has testified in legislative budget hearings that the increased responsibility of local school districts for facilities should in part be funded from LCFF funds. It is unclear whether the Governor's proposal would provide on-going funding to address facility needs (augment the LCFF base) or whether these funding obligations would simply be shifted to districts. From an adequacy perspective, if the state were to shift the responsibility for facilities to the district, it would be critical that sufficient additional funding be provided so that such a structural shift would not come at the expense of further depleting the level of service provided with current operating funds. Also, from an equity perspective, the state would need to ensure that given the large inequities in assessed property values across districts, any such proposal would provide some differential support for those districts that are real property poor.

- **Additional mandated costs and the technology demands of the California State Standards.** In addition to changing the expectation for school and district outcomes as was done with the adoption of the state priorities under LCFF, the state also makes specific programmatic demands on districts that have costs through state reimbursable mandates. When this happens, generally the services that a district must provide expand. While there is a constitutional obligation to reimburse districts for these new costs, this rarely happens and often years after the fact. In the interim, districts are on the hook to pay for the extra costs out of existing resources. In an adequacy framework, the state would fully fund mandates in a timely manner. According to the LAO, the current balance of these past mandates recently have been reduced from around $5 billion to about $.7 billion.

  State mandates expand the operational requirements for school districts, and thus can increase the costs of providing an adequate education, often without funding, or if funded through the current mandate reimbursement process, the funding is provided many years after the fact, and often at a discounted rate. For example, under the mandate to administer the SBA test as part of the adoption of the California State Standards, districts were required to administer the state assessment online. In order to do this, many districts have had to make additional

investments in computer hardware and network connectivity. Out of the limited existing resources, districts have been required to reallocate funds to cover the cost of the technology upgrades. It is estimated that the annual statewide cost is approximately $600 million. Districts and a COE, organized by the ELA, have submitted a reimbursable mandate claim for these costs. The Commission on State Mandates will hear testimony on this claim soon. If the Commission determines that this activity is a state mandate, the costs of this mandate will be added to the state debt to districts to reimburse them for past mandates. On an on-going basis, districts will have to continue to make hardware upgrades and maintain their new technology systems, hoping that at some point the state will reimburse them for these costs.

Even if the state does eventually reimburse schools for these costs, that reimbursement comes out of the funding available for the Proposition 98 guarantee. So to the extent that the state treats the Proposition 98 minimum funding guarantee as both a minimum and a maximum, additional funding for technology will come at the cost of other funding that districts would have received anyway. So, from an adequacy perspective, state mandates expand local requirements without any recognized additional resources, leading to a less adequate system over time.

- **Higher energy costs as state moves to combat climate change.** As California continues its efforts to reduce greenhouse gases to meet the state's anti-climate change policies, there can be unintended consequences for school districts in the form of increased and less certain energy costs. As an example, districts in San Diego County have experienced a 33 percent increase in energy costs over the last year which is estimated to use up a significant portion of new resources that districts receive in 2014-15 (15% to 20% of their LCFF base increase for 2014-15). When state policy changes lead to higher costs for school districts, those costs should be considered in determining the adequacy of the state's funding system.

Proposition 30 — Ongoing Funding Source Replaced with Temporary One

Part of the reason that California has been able to make progress on its overall level of school funding was the passage of Proposition 30. However, Proposition 30 was a double edged sword. On the one hand, its passage provided around $6 billion in new revenues growing to more than $8 billion over time. But these revenues will start phasing out in 2016. At the same time, Proposition 30 permanently excluded from the Proposition 98 calculation roughly $6 billion in state sales tax revenues, shifting these funds to local government in 2011-12 through criminal justice realignment. So in effect, Proposition 30 replaced $6 billion in General Fund revenues that were permanently transferred to counties with $8 billion of limited-term funding. If the Proposition 30 revenues are allowed to phase out, then K-12 funding growth will once again slow dramatically, and if combined with a potential economic downturn, it will likely start falling again. Clearly, any hope of making further progress toward an adequate K-12 funding system will need to start with continued Proposition 30 funding, or some alternative funding source to replace it. To date, two proposals have surfaced to continue or expand the income tax portion of Proposition 30 funding. Whether either of those proposals will make it to the November 2016 ballot is yet to be seen.

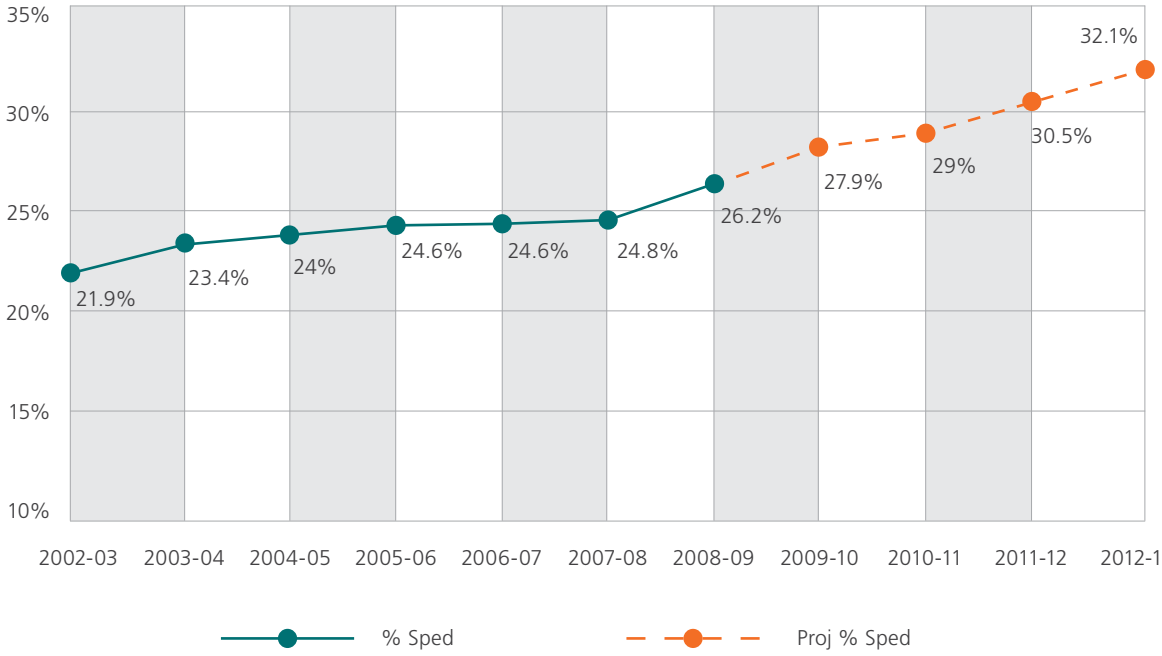
Special Education and School Adequacy

Special Education Puts Cost Pressures on Districts

Federal special education law creates a mandate that school districts provide the services needed by special needs students, and that the determination of which services to provide is made without regard to the cost of providing those services. Forty years ago when the IDEA was signed into law, Congress promised to fund 40% of the average per pupil expenditure to offset state costs of providing educational programs and services to students with disabilities. However, this mandate has resulted in growth in special education costs that has been faster than district's total revenues tend to grow, and certainly much faster than the COLA the state usually provides for the state share of special education revenues. As a result, the share of a district's budget that is dedicated to special education can vary over time with the

needs of its students, and the district's overall funding requirements. Generally, the share of a district's total funding that is dedicated to special education tends to increase over time, especially during recessions. In 2012, AIR projected the share of a district's general fund that is dedicated to special education.[4] Over a decade, AIR estimated that the percent of district general fund expenditures increased from 21.9% to a projected 32.1%. As special education cost pressures increase, districts struggle to mitigate the impact that these costs can have on other programs.

Figure 4: AIR Estimate of Special Education Expenditures as % of Total GF Expenditures



While the federal government created the special education mandate, it has always fallen short of meeting the commitment that it made to provide funding for 40 percent of the special education costs. The most recent data shows that the federal government has only provided 10 percent of the funding for special education. In addition to the federal funding, the state provides categorical funding that grows annually by COLA, when the budget provides COLA. The remaining costs of special education are paid by school districts. The local share of special education varies over time, and often increases significantly during economic downturns.

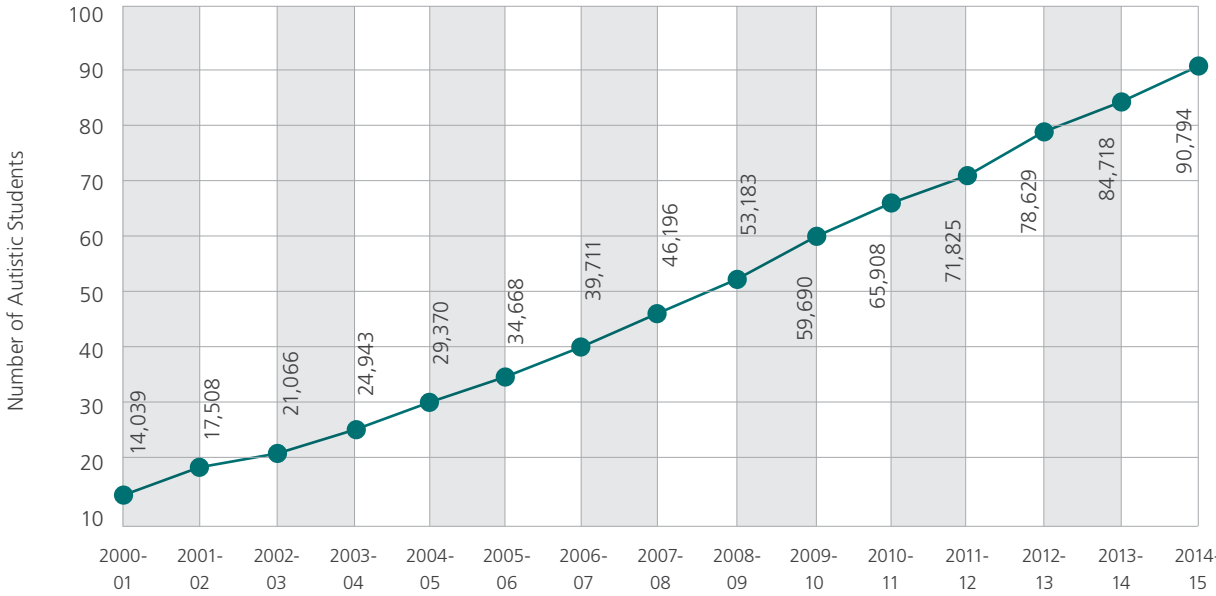
Number of Students with Autism Growing Rapidly

One of the factors contributing to the growth in special education costs is the rapid growth of the number of students with autism. According to AIR, autism is one of the most expensive categories of special education services.[5] Figure 5 shows the growth of number of students with autism since 2000-01. For the last 14 years on average, school districts statewide have been serving an additional 5,483 students with autism each year. While that might not seem like a lot of additional students in a 6 million student system, the cost implications are significant. The cost of serving the needs of these students is much higher than the typical special education cost, and is likely in excess of $100 million annually. By comparison, the annual COLA provided for state special education funding in 2015-16 was just $37 million.

4 American Institute for Research (2012) Special Education Expenditures, Revenues and Provision in California.

5 American Institute for Research (2003) Total Expenditures for Students with Disabilities, 1999-2000, Spending Variation by Disability.

Figure 5: The Number of Students with Autism Served by Districts (2000-01 through 2014-15)



Special need students' performance lags

While the state has not yet set performance standards for the state priorities, it is likely that students with special needs, as a group, will not meet the state's expectations when they are set. Historically, when the state has set performance standards, it has set the same expectations for special education students as for other students. Under the new state assessment regime, the state expects most (but not all) special education students to meet the same expectations as the general education population. Although the expectations are the same, the results are often not. On the first administration of the new state assessment, only 12 percent of special need students met or exceeded standards in English language arts, and only 9 percent in math. Additionally, only 62 percent of students with special needs graduate from high school on time. Because adequacy links the level of funding needed to help all students meet the state's expectations, it is reasonable to conclude that districts will need to provide a higher level of service if most special need students are to meet the state's targets.

A Long Way to Go to Funding Adequacy in California

Based on the updated estimates of GDTF's adequacy funding gap, and depending on the assumptions used, the state would need to invest an additional $22 billion to $42 billion. When the other factors impacting adequacy are considered, these adequacy-gap estimates should be considered a conservative estimate. These additional factors include: (1) higher academic expectations for schools through the implementation of the Common Core, (2) broader expectations through the establishment of the several state priorities in the Local Control Funding Formula, and (3) the additional costs that districts face in terms of STRS, PERS, retiree health benefits, operations, special education and potentially a larger role in facility financing.

The first step to meeting these higher funding goals is to extend the Proposition 30 revenues. However, real adequacy will require both a dramatic rethinking of state and local government finance together with critically reviewing the relative priority of school funding in overall state and local government funding.

Chapter 2

A Snapshot on Education Adequacy in California — Presentation to the May 2015 CSBA Delegate Assembly

At the 2015 CSBA Delegate Assembly, an update on key indicators of school funding, state and local government funding, key student demographics and staffing was presented to provide an overview of how California compares to other states, and what it means in terms of funding adequacy. (The power point presentation is provided as Appendix 1.) Some of the key findings of this presentation were that while Californians earns more income and have larger state and local governments than other states, California spends less on its schools than other states. Because California schools in general face higher costs and serve students with greater needs than in other states, this lower level of investment is even more insufficient to meet the goals that the state has set for its schools. As a result of the low funding and high costs, California schools have fewer educators to meet the higher student need, and students bear the consequences with lower academic performance than students in other states. Below are some of the key findings of this research.

California spends less than other states, especially when regional costs are considered

There are three different data sources that provide information on state funding per pupil — the National Center for Education Statistics (NCES), Ed Week, and the National Education Association (NEA). The NCES data is the official federal data and is similar to the NEA data. However, the NEA data is reported in a more timely fashion than the NCES data; thus, NEA data is often used when the focus is on the most recent measure of school funding. Finally, the Ed Week data recognizes that educators' salaries are the largest portion of a district's budgets, and that the salaries of educators vary significantly across states based on regional labor market factors. The Ed Week is the only data source adjusted for these regional cost factors, so it more accurately reflects how far funding goes in each state to meet the needs of its schools.

Slide 3 shows that while California spent near the national average prior to Proposition 13 (1978), in the post Proposition 13 era, the gap between the national average spending level and spending in California has grown gradually since.

Schools in California face more expensive labor market conditions than in other states. The NCES developed a methodology to adjust funding by these costs. The NCES methodology generally compares salaries across states for individuals with similar levels of education as required to be an educator. On average, California faces salary costs that are 11 percent higher than nationally. The Ed Week per pupil spending comparison adjusts a state's per-pupil spending by this index, thus making a more accurate state-to-state comparison of funding efforts. California ranks 35th in per-pupil spending for NCES (2011-12), 33rd for NEA (2013-14) and 45th for Ed Week (2011-12). In terms of the gaps to the national average,

California trails the national average by $1,812 per pupil (NCES) or $1,352 per pupil (NEA) when not adjusting for costs. When adjusting for cost, Ed Week reports that California is $3,427 per pupil less than the national average.

In order to move California to the national average, the state would need to spend an additional $10 billion to over $23 billion under these different measures. Using the same data sources, the amount of additional funding that would be needed to move California to the average funding level of the top 10 states is $47 billion to $56 billion, roughly a doubling of current state funding. Notably, these official data sources are a little out of date, and California has increased its funding significantly over the last two years from 2013-14 to 2015-16 (both on-going funding and one-time funding). Depending on how quickly funding increases in other states, between 2013-14 and 2015-16, it is possible that under the NCES and NEA, California could reach the national average (unadjusted) when comparisons are eventually made for 2015-16. However, California will continue to trail most other states under the Ed Week per-pupil spending numbers because of the higher regional cost adjustment. In addition, if California reaches the national average in 2015-16, it might be a temporary event since part of the reason that 2015-16 funding is more because the state is providing almost $5 billion in one-time moneys to K-12 education. It is not likely that 2016-17 K-12 funding will increase enough to backfill those one-time funds if the state funds schools at the Proposition 98 minimum guarantee. Also 2016-17 is the first year that a portion of Proposition 30 revenues will end.

Californian's have higher income, but spend less on K-12 education

The level of funding spent on K-12 education in California is more of a policy choice than a result of underlying fiscal factors. The state has higher income than other states and spends more on state and local government per capita or as a percentage of state income than other states. Yet, state leaders have made policy choices that lead to the state choosing to spend less on K-12 education and more on other parts of state government.

Slides 11–13 show how California's income and government spending compare with other states. Our income per capita ranks 10th nationally, roughly $4,000 per capita higher than the national average (8.6% higher). And California spends slightly more of its income on state and local government. Specifically, for each $1,000 of income, California spends $193 on state and local government (roughly 19% of total income). This leads to California ranking 24th in total state and local government spending. In contrast, California ranks 44th on its spending on K-12 education, 16% less per $1,000 of income than in other states.

In terms of the portion of taxable income spent on K-12 education, California spends 2.7% of its income on K-12 education compared to 3.4% nationally. While a 0.7 pecentage point difference in the percent of income spent on education may not seem like a lot, if California increased its effort level to the national average, that increase would provide an additional $15 billion in revenues for K-12 education.

Less K-12 funding and higher salaries lead to California schools having fewer staff

Slides 15-18 show the impact that low funding and high salary costs have on staffing for California schools. The average number of pupils per teacher in California is 21.2 compared to 15.4 nationally, ranking California 49th in the country. It would take hiring 111,000 additional teachers to close that gap, or a 38% increase in teacher staffing. To put that number in perspective, California has 42,000 fewer teachers than Texas, yet California schools serve 1.4 million more students. The lower number of teachers means that class sizes in the state are larger than elsewhere, and there are fewer content specialists (like reading specialists) to work with students with special needs. It also means that there are fewer specialty teachers, such as an art, music or PE teacher in an elementary school who can not only support a more enriched curriculum, but can also provide the main classroom teacher release time to prepare and collaborate with colleagues to strengthen the quality of his or her instruction.

Teachers are not the only category of educators that California schools come up short in employing. Slide 17 shows that California ranks 49th in overall staffing levels, and between 45th and 50th in key staffing categories. It would require hiring an additional 237,000 educators and paraprofessionals to move California to the national average of school staffing levels.

California would need significantly more educators to increase staffing levels to an adequate level but this is complicated by a looming teacher shortage. During the economic downturn, many districts had to layoff teachers. Between 2008-09 and 2011-12, the number of California teachers fell by 56,500 (roughly 19%).[6] This not only diminished the teacher pool, but dampened interest in teaching as a viable career option so that far fewer students have enrolled in teacher preparation programs: the results of which the state is seeing now with far fewer newly certificated teachers. As districts now restore some of the cuts, and restore some of the staffing, they are facing a shortage of teachers. Judging from the number of students entering teacher preparation programs, the shortage is likely to grow even more under the current inadequately funded system. According to the California Teachers Association, over the next 10 years, 100,000 California teachers are expected to retire.[7] Between 2008 and 2013, the California Commission on Teacher Credentialing reports that the number of candidates enrolled in the state's teacher preparation programs has fallen 53 percent. So, as the state transitions from its current funding level to a more adequate one, it will need to develop specific strategies to meet the demand that will be created for quality teachers. Ensuring this quality requires a significant investment to provide teachers the necessary time, professional development, coaching, and other supports that contribute to a high quality teacher workforce.

California has a higher percentage of students with additional educational needs

As recognized in the LCFF, some groups of students, on average, have higher needs than other groups of students based on their family background and home language. Specifically, LCFF provides additional funding based on the percentage of students in a district that are English Learners, from low income families or are foster youth. Research shows that, on average, students in these three groups face hurdles that make it more difficult to achieve the educational goals the state has set, and as a result many of these students need additional supports in order to be successful. In addition, research shows that the concentration of these students also matter, and that schools and districts serving communities with concentrated poverty or concentrations of non-English speakers need even greater support. LCFF recognizes the impact that both concentrated poverty and non-English speakers have and provides much higher funding levels for these communities. California's demographics are more challenging than other states, and will require additional investments to meet the state's goals.

California is the state with the highest percentage of English learners. The national average is 9.2 percent of students being English learners. In California, 22.8% are English learners. As a result, California has more communities with high concentration levels of non-English speakers making the challenges of becoming fluent in English more challenging.

California also has more low income students than other states. When measuring low income students by the percentage of students eligible for a free or reduced price lunch, California has 56% of its students eligible, 5 percentage points higher than the national average. However, these statistics may mask the economic hardships that California families have relative to those in other states. The federal Census Bureau has developed an alternative measure of poverty that more accurately reflects the impact that high living costs have on a family. Specifically, the Census Bureau has developed the Supplemental Poverty Measure that more accurately reflects the cost factors that impact the financial challenges faced by low income families. The Supplemental Poverty Measure incorporates regional housing costs, medical expenses and funding received from federal programs (tax credits, taxes, food stamps, and other programs that help families meet basic needs). When these broader factors are considered, California has the highest poverty rate in the country. While nationwide 18.1 percent of children live in poverty under the Supplemental Poverty Measure, 26.6 percent of children do in California.

6 2014-15 Rankings and Estimates, National Education Association (http://www.nea.org/home/rankings-and-estimates-2013-2014.html).

7 Eric Scroggins, "California Can No Longer Ignore Teacher Shortage" Ed Source, May 2015 (http://edsource.org/2015/california-can-no-longer-ignore-teacher-shortage/78829).

Chapter 3

21st Century Education

Adequacy Committee and Delegate Assembly

The data collected from the breakout sessions held by the ELA Adequacy Committee and CSBA's Delegate Assembly suggest that we are heading toward a new educational philosophy in the 21st century.[8] If the NCLB signaled an era of accountability in the education world, CSBA's work on adequacy marks an era of care and instructional opportunities for the whole child. Members of the Adequacy Committee and the Delegate Assembly realized this new era would require a greater flexibility in scheduling, re-designed facilities, innovative professional development, greater technological capacity, and additional resources to remove barriers to learning, such as poor health.

Both groups envisioned providing learning opportunities that treat students as individuals. Students should feel inspired, challenged, and supported in learning that feels relevant to their lives and explores their individual passions. Visual arts would be deeply integrated into the curriculum and there would be ample opportunity to explore the performing arts, music, and athletics. Additionally, students would be proficient in critical skills demanded by the 21st century workforce, especially science, technology, engineering, and math (STEM).

Adequacy Committee Findings

At its March 2015 meeting, the Adequacy Committee broke into four groups to consider these two questions: 1) How has the current lack of adequate funding impacted the students in your district? 2) How would an adequate level of funding impact students in your district?

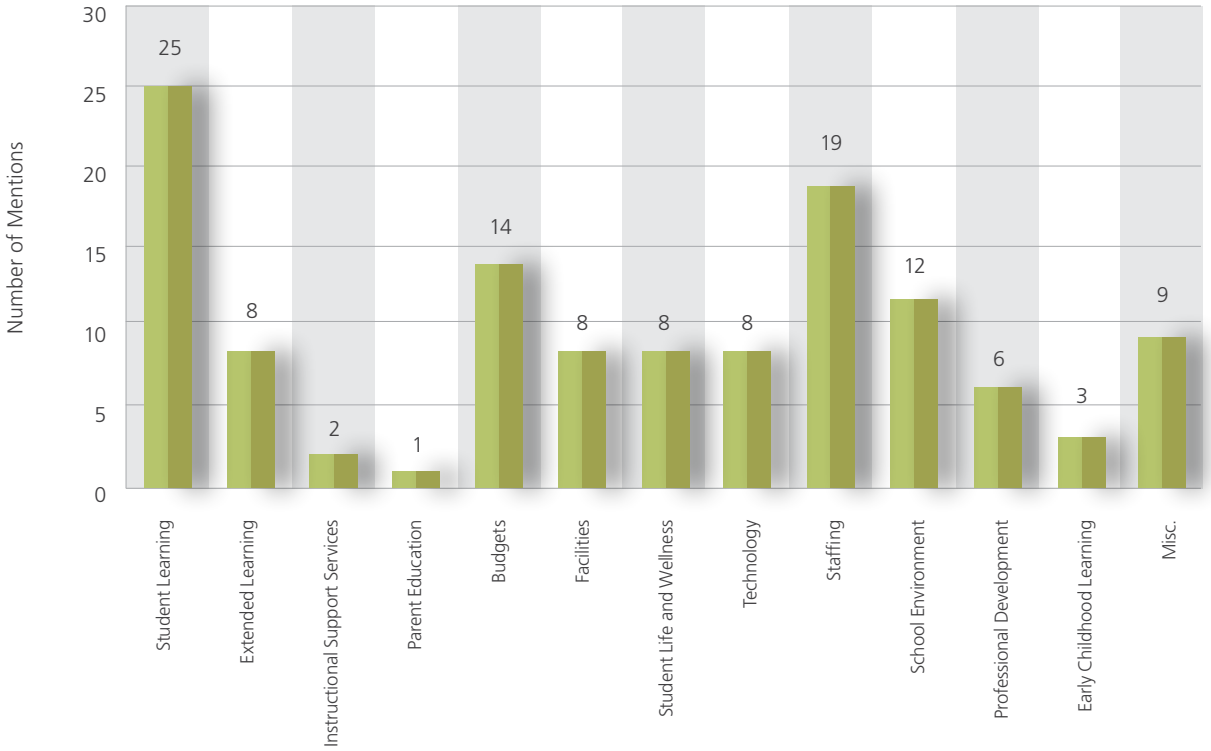
A scribe recorded key points from each group's discussion. These key points were combined, coded, and organized into thirteen categories: student learning, extended learning, instructional support services, parent education, budgets, facilities, student life and wellness, technology, staffing, school environment, professional development, early childhood learning, and miscellaneous. (See Appendix 2 for the code book listing the key points.)

8 CSBA's 310 member Delegate Assembly consists of school and county board members elected from 21 regions in the state and of CSBA's Board of Directors and Past Presidents.

The data show that the Adequacy Committee was primarily focused on students; however, safe and supportive school environments, greater levels of staffing, and less volatility and more control of budgets were also often mentioned. While not a scientific poll, the small group discussions on the two questions illustrated what was on the minds of elected officials and education experts when considering a lack of adequate funding as well as when considering the presence of adequate funding.

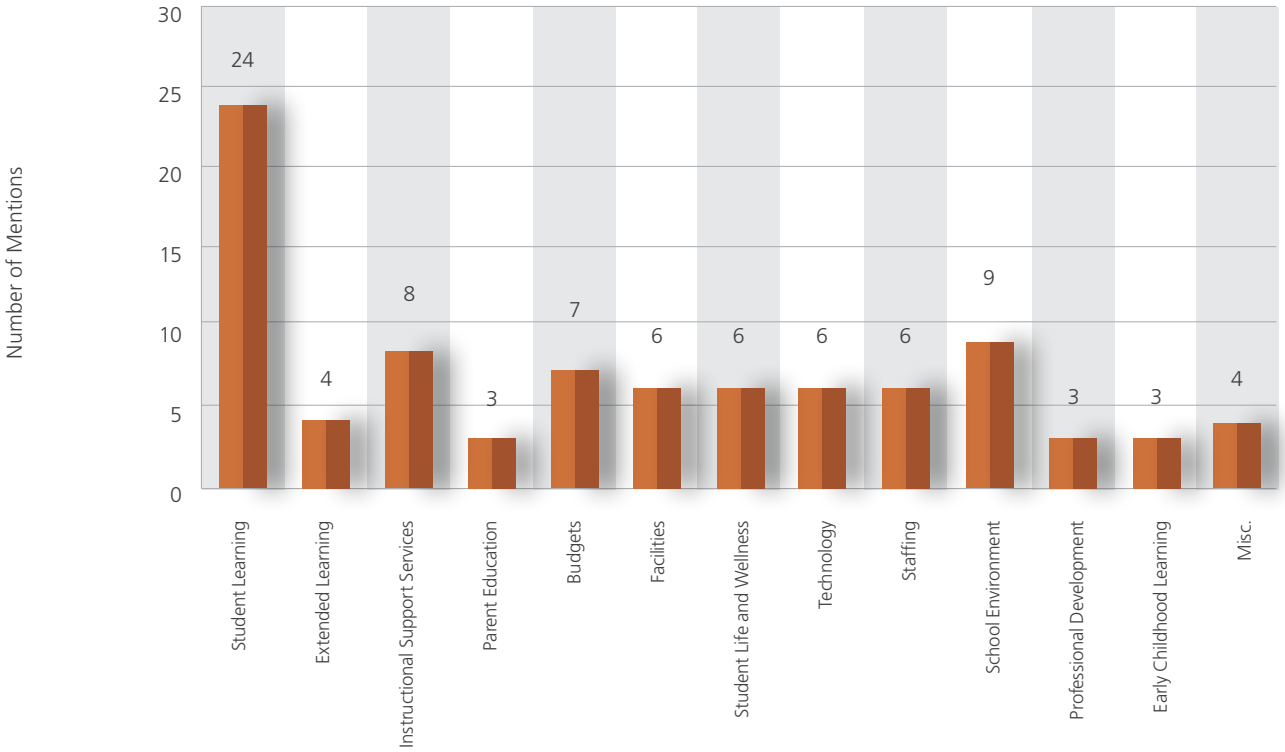
Figure 6 shows the number of mentions for each category when presented with the question: How has the current lack of adequate funding impacted the students in your district? The student learning category received the most mentions, with staffing, budgets, and school environment also ranking highly.

Figure 6: How has the current lack of adequate funding impacted the students in your district?



As can be seen in Figure 7, student learning again received the highest number of mentions with 24 when members of the committee considered the question: How would an adequate level of funding impact students in your district? This category included instructional support services, school environment and budgets.

Figure 7: How would an adequate level of funding impact students in your district?

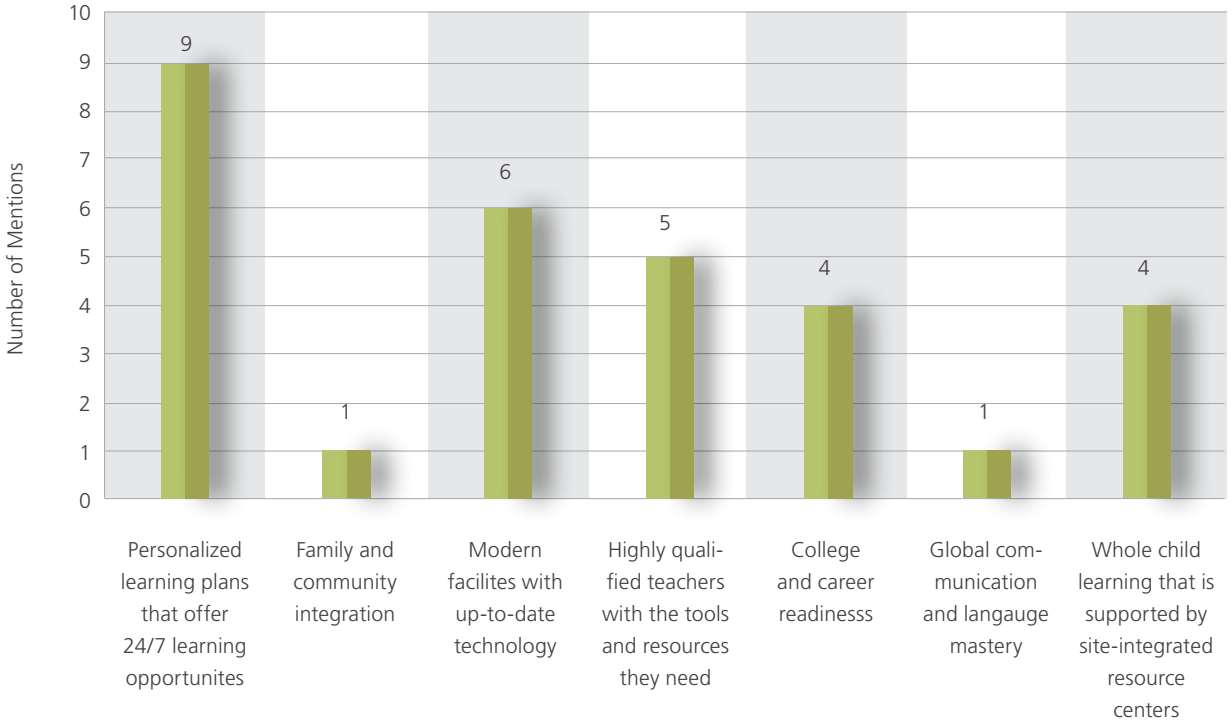


Delegate Assembly

At the May 2015 meeting of the Delegate Assembly, a group of more than 220 board members elected as delegates from CSBA's geographic regions spent significant time discussing the question: Create a school of the future without being limited by any financial or regulatory constraints. What is it going to look like?

The ten groups discussed the questions before voting on their top three favorite items of what should be required of schools in the future. The top items of the ten breakout groups were coded into seven categories: personalized learning plans that offer 24/7 learning opportunities, modern facilities, highly qualified teachers with the tools and resources they need, parental and family integration, Career Technical Education pathways and real world learning, dual language mastery, and whole child learning that is supported by site-integrated resource centers. The results are shown in Figure 8. (See Appendix 3 for the table illustrating each group's top choices and the Top Ten list published in the Fall edition of *California Schools*, CSBA's quarterly magazine.)

Figure 8: Create a school of the future without being limited by any financial or regulatory constraints. What is it going to look like?



Key Findings of the Adequacy Committee and Delegate Assembly

There was much alignment between the Adequacy Committee and Delegate Assembly breakout sessions. When considering what the future should look like, it was clear that board members were aware of practices, strategies, and inputs that research has shown to be effective for student success; however, they reported lacking the funds to fully implement them. For example, quality, robust, and rigorous learning were often mentioned across the breakout groups of both the Adequacy Committee and Delegate Assembly. The groups indicated that they could achieve these educational objectives through a variety of strategies, such as professional development for teachers and more accessible technology, if they had the funding. In short, it is not that districts and county offices do not know what works for students — it is that they cannot afford to implement promising educational practices.

Board members expressed frustration that they often cannot capitalize on the success of promising practices within their districts or county offices due to a lack of resources. Individual schools within a district might be able to implement an innovative program, such as deeply integrating the arts into the curriculum at one school, but these practices often cannot be replicated across the district.

Personalized Learning

Personalized learning was a consistent theme among all breakout groups. This idea challenges the current delivery of education, which generally treats all students as equal in all subjects. Tailoring education to the needs, abilities, and interests of students would require the institution of schooling to transform in important ways that would include, but not be limited to, additional staffing, access to technology, and changes to the school environment and facilities. These additional resources were reflected in what board members reported they lacked as well as what they considered adequate.

Personalized learning plans could especially be powerful for student learning when paired with research that tells us that learning is most effective when students feel it is relevant to their lives. Career technical education and internship opportunities connect personalized learning and relevance in powerful ways. A high school social studies class might hold extra significance if, as part of the class, students had the opportunity to intern with a public agency or local elected official. In addition to connecting classroom instruction to life experiences, students may be fortunate to find an occupation at a young age that can ignite a lifelong passion.

Managing personalized learning plans and adapting to new technologies is a tall order for teachers. However, if unconstrained by funding, teaching schedules could be arranged to maximize collaboration. Team teaching across subject matter and grade level could be a common occurrence. Peer-to-peer observations and coaching has been shown to be a highly effective mode of professional development; yet in today's schools, the pace of the school day and heavy teaching loads rarely afford the opportunity.

Whole Child

The responses of the board members show a strong understanding that an adequate education requires providing services that were once thought of as outside of the responsibility of schools. Over the last decade schools have moved toward what has come to be accepted as caring for the whole child. Caring for the whole child is commonly known as taking care of all children's needs, such as health and socio-emotional as well as academic needs. Both the Adequacy Committee and Delegate Assembly were unequivocal that this effort should be expanded in the future.

If given the resources, schools could connect students and their families to essential supports, such as mental health care, dental care, and vision care. No child would ever be without a nutritious meal or school supplies. Some districts have been able to achieve this through the community schools model. Community schools facilitate collaboration between school districts, local government, and community partners to align and maximize resources. Under this model, the important responsibility of raising future citizens is shared by the community. According to the Adequacy Committee and Delegate Assembly, this model need not be a pilot program or given a special name — this concept would apply to all schools. Additional staff and professional development will certainly be necessary for the substantial task of facilitating partnerships and engaging families.

Getting to Career and College Success

The Adequacy Committee and Delegate Assembly honed in on five critical ingredients that will empower students to acquire the knowledge and skills required for 21st century college and career readiness. They are:

- Personalized learning opportunities
- Highly qualified teachers and effective professional development
- Facilities with state-of-the-art technology
- Career pathways and real world learning opportunities
- Family and community support and integration

Some states, county offices, and districts have already implemented programs and practices to support 21st century college and career readiness. This section offers a brief review of proven and promising practices that California could build on if provided adequate funding so that all California students can participate.

STEM

As society becomes increasingly computer reliant, it is critical that students are capable in STEM (Science, Technology, Engineering and Mathematics). The demands of many careers in the 21st Century will require a background in STEM education. Districts and county offices know all too well that STEM subjects are hard to staff. Extra efforts will be needed to appropriately train and support teachers and other educational professionals to be ready to staff these critical courses.

Communicating across global borders

Now that communicating and traveling across global borders is more common than ever before, the Adequacy Committee and Delegate Assembly saw language mastery and cultural awareness as critical to college and career readiness. In the past, the language learning opportunities available to students were limited to practical constraints, such as staffing. 21st Century schools would capitalize on technological abilities to look beyond what has traditionally been offered to students. Students could connect directly with an instructor — or peers — in other countries through video conferencing. In addition, language immersion programs, a method of learning a second language that calls for teaching all subjects in the second language, have been shown to be effective for some students.

Arts

The ability to appreciate art, be it music or the performing or visual arts, makes life richer. Involvement in the arts is associated with improved cognitive ability, critical thinking, motivation, confidence and teamwork, which is precisely why the Adequacy Committee and the Delegate Assembly affirmed that arts education must be a part of a 21st Century education. This can happen by expanding art specific learning opportunities, as well as integrating arts into core subjects. This will require recruiting artists and musicians into schools and providing professional development for all teachers on ways to integrate the arts into their teaching.

Highly qualified teachers and effective professional development

Of all the things inside of schools that affect student learning, the quality of teaching is the most important to student success. The future must capitalize on research supporting effective instruction to increase student learning. Better defining what constitutes effective teaching can have a tremendous impact on teacher training, professional development, coaching and support.

21st Century education must provide conditions in which teachers can be most effective

This will require setting precise expectations for teacher actions and clear goals for student learning, as well as building a school culture of collaboration. Master teachers could serve as coaches to less experienced and struggling teachers by spending significant time observing and reflecting with their mentees. It has also been shown that teachers observing other teachers is a productive technique, yet resources are not often available to support this.

Finally, 21st Century teachers need to be adequately recognized for the important work they are asked to do. Survey research consistently shows that Americans think that teachers are underappreciated. Stable funding streams and competitive salaries are likely to attract more highly capable people into the teaching profession.

Facilities with state-of-the-art technology

Creating the facilities that are conducive to 21st Century education is an enormous challenge for county offices and districts because educators often must work within the boundaries of already established brick and mortar. According to the vision of the Adequacy Committee and Delegate Assembly, traditional classrooms are not necessarily part of the schools of the future.

The business community, particularly companies known for their innovation such as Google, has devoted considerable attention to the work environment they provide for their employees. Research on how the school environment impacts academic achievement is more conclusive in some areas than others but certainly finds that the physical environment has an important effect. While some aspects of facilities have a bigger impact than others, indoor air quality, ventilation, thermal comfort, lighting, acoustics, building age and quality, school size, and room size are all important ingredients to building schools where students can be at their best.

21st Century school facilities will also need to be conducive to utilizing technology for teaching and learning. Many California schools have committed to provide computers or tablets to every student. Both for reasons of equity and efficiency of teaching and learning, it is hard to see this policy of one-to-one devices not being adopted by all schools in the future. Supporting this commitment to technology will require information technology specialists, broadband capacity for universal Internet access, and the ability to adapt to new technological advances.

Career pathways and real world learning opportunities

It has been shown in many ways that students learn best when the subject matter feels relevant and useful to their own lives. On many occasions, connecting the curriculum to potential vocations has been shown as an effective strategy.

While there are promising programs within California, such as Linked Learning, which integrates rigorous academics with career-based learning and actual workplace experiences, 21st Century educators must also be cognizant of potential pitfalls to career focused learning, such as automatically placing low-performing students in non-college career tracks. When executed as envisioned, personal learning plans as described above can help alleviate this risk.

Professional development is needed to help teachers expand their teaching from the classroom into the world beyond the classroom walls. In a similar vein, professional development will be needed for the business, non-profit, and public sector communities to better mentor students and help them maximize their intern/apprentice experiences. Furthermore, positions will need to be created to identify potential mentors, train them, and evaluate and monitor students' learning experiences.

An anticipated benefit of involving the business, non-profit, and public sector communities in such a way is that it will give them a greater investment in schools. Research suggests that civic capacity, which connects students to internships and apprenticeships, is a key ingredient for the success of schools in the 21st Century.

Family and community support and integration

The notion of schools being hubs of the community is a normative one across the United States. Many Americans have a belief that in addition to being places for academic accomplishment, schools should bring people together. Schools often lend their space to community theater, athletics, civic meetings, and other communal events.

In addition to being gathering places, research overwhelmingly suggests that involving the community in education — especially parents — increases academic achievement. Problematically, some scholars have suggested that parents have become increasingly uninvolved in their children's education. This can be due to language and culture barriers, busy schedules, and uninviting school environments. In the 21st Century, educators widely acknowledge that parent engagement must be a two way street and county offices, districts, and schools have a responsibility to actively create the conditions and opportunities for parents to be involved.

This requires a paradigm shift in the expectations, training, and professional development of educators, as well as innovating new positions, programs, and resources. For example, designating space within schools to be parent centers has been shown to be effective in drawing parents into schools and providing information on how they can support their children's education.

Chapter 4

Measuring Adequacy — Graduating With Options

An Adequately Funded System for the Future Economic Health of Individuals and the State

The state has a constitutional duty and an economic imperative to provide a quality education system for all students, and to provide an adequate funding level to support that system. The goal of a public education system should be that all students, regardless of race, gender, or socioeconomic status, graduate from high school prepared for college, career and civic life. The state has a constitutional obligation to provide all students with access to a quality educational opportunity.

Recent studies have shown the need for California's K-12 and higher education systems to provide a well-educated workforce. According to a recent study, the Public Policy Institute of California (PPIC) has estimated that the state's economy will demand 1.1 million more college graduates over the next 15 years than our state is projected to produce.[9] The same report shows that there will be an excess supply of future workers who have dropped out of high school, leading to a continued high unemployment rate, even among workers in low income jobs not requiring higher education. According to data from the Employment Development Department, labor participation amongst 20-34 year olds has decreased slightly from 2008 to 2015.[10] This comes at a time in which there are thousands of job opening for highly paid careers in California. For example, California is projected to have over 650,000 job openings that pay over $50,000 a year from 2012 to 2022.[11] Many of these jobs are in technical fields for which there is a shortage of available workers, such as nursing, accounting and auditing, and software development. As we move towards adequacy, part of the measure of success should be the ability of the school system to receive feedback and to be responsive to emerging labor market demands.

There are benefits of a quality education system both for individuals and for the state. For individuals, getting a quality K-12 education that prepares them for higher education or career pathways leading to post-secondary career training is more likely to result in living wage jobs, lower unemployment rates, lower participation rates in welfare and other government support programs, and a reduction in the probability of incarceration.

9 Public Policy Institute of California (2015) Will California Run Out of College Graduates? (www.ppic.org/main/publication_quick.asp?i=1166).

10 See www.labormarketinfo.edd.ca.gov/data/Top-Statistics.html#LFPAG.

11 See www.labormarketinfo.edd.ca.gov/data/employment-projections.html#Long.

From the state's perspective, there are several long-term benefits from an increased investment in education — higher income resulting in higher state revenues, and lower costs for welfare, health and criminal justice programs. There are also social benefits to the state for breaking the school to prison pipeline in terms of overall citizen safety that would result from an improved education system.

For both individuals and the state, there are numerous benefits from an adequately funded system. Unfortunately as the statistics in the next section will illustrate, just like the education finance system, our current education outcomes are far from the expectations that we have for our schools.

The State is Falling Significantly Short at Meeting Potential Goals the State Might Consider for Key LCFF Indicators

The LCFF created eight state priority areas for districts, and many of their associated indicators focus on the key outcomes for schools in preparing all students to have an opportunity to graduate from high school ready for college, career, and civic life. The SBE will soon set expectation standards for performance and improvement related to these priorities. These standards, along with their associated measures, should help school districts and county offices to assess their progress, strengths, and areas for improvement relative to the state's goals. Whatever standards the SBE sets, it is clear that there will be a lot of students that will almost certainly perform below those standards.

Adequacy Goal: All students graduate from high school ready for college and career

The following table describes some of the key LCFF indicators and potential expectations for the state's education system to consider as intermediary steps toward meeting this overarching adequacy goal. This table is not meant to be comprehensive but should serve as a starting point for a broader discussion about the measurement of success and how adequate funding will be needed to achieve those goals.

Indicator	Adequate System Expectations
ELA and Mathematics Smarter Balanced Assessments	Significant yearly gains for all student. Larger gains for significant student subgroups to close achievement gaps.
English Learner Reclassification	Progress towards reclassification of all English learner students within five years.
High School Graduation Rates	Significant yearly gains in the graduation rate for all students. Larger gains for significant student subgroups to close achievement gaps.
A-G Requirements	A greater number and greater diversity of students graduating from high school having fulfilled their A-G requirements.
College-Level Coursework in High School	A greater number and greater diversity of students graduating from high school having completed college level courses, including AP and dual enrollment classes.
College Remediation*	Significant decrease in the number of students that graduate high school with the need for remediation.

** This indicator is not directly connected to a state priority but represents an important outcomes for students.*

While it will take time to achieve, districts should be able to make significant progress toward reaching the college and career readiness goal for all students with adequate funding. That means accelerated progress for certain student subgroups — low income, English learner, homeless, foster youth, African American, and Latino students — in order to close achievement and outcome gaps.

To support a prosperous California, all students need to graduate from high school with a level of preparation that offers them the option of attending college or be prepared for postsecondary training in a career or technical field. Students need a foundation of knowledge and skills that allows them to choose what they will do after graduation based on their own inclinations rather than on the limitations of their high school preparation. This is particularly important for the many students disproportionately included in the subgroups mentioned above, who are not currently graduating with this level of preparation — or are not graduating at all.

Results of the Current System on these Key Indicators

Our current education system is not producing quality outcomes for every student. At least partly due to a significant lack of investment, the results of California's education system continue to show significant achievement gaps amongst Latino, African American, English learner (EL), special education (SPED), low income, and other significant subgroups of students.

Over the past ten years, all students in California's public education system have improved slightly or remained stable (according to NAEP and STAR results); however, achievement gaps among student subgroups have remained. As we create a system that adequately prepares all students for college and career, there are several measures, including student achievement, high school graduation rates, college enrollment and completion, and participation in the workforce that point towards an urgent need to move toward adequately funding for education in California.

Measures Currently Included in the LCFF State Priorities

The SBE is in the process of identifying key measures from among the eight state priorities that the state will elevate and set performance and improvement goals for districts and county offices of education. Districts and county offices will continue to specify the strategies they will implement to meet those goals in their Local Control Accountability Plans (LCAP).

- **Student Achievement.** The most recent test results of the SBA in English language arts and mathematics indicate that only 44 percent of students met or exceeded standards in English language arts and only 33 percent did so in mathematics. Moreover, achievement gaps persist amongst significant student subgroups. For example:
  - In English language arts, only 31 percent of economically disadvantaged students met or exceeded standards, compared to 64 percent of their non-economically disadvantaged peers (a 33 percentage point gap).
  - In mathematics, only 16 percent of African American students met or exceeded standards compared to 49 percent of their white peers (a 33 percentage point gap).
  - The test results show similarly large gaps in English language arts and mathematics for all significant student subgroups, including low-income, English learner, African American, and Latino students.

While it should be noted that this is the first year of full implementation of the new assessments, these achievement gaps were present in the previous STAR assessments and NAEP results.

- **English Learner Reclassification Rates.** Over 35 percent of kindergarteners are English learners. Supporting these students to be fluent in English is a critical hurdle to being able to learn the language-heavy, California State Standards, especially in middle and high school. Research suggests that students need to make the transition from EL to fluency within 5 to 6 years. A student entering kindergarten should be reclassified prior to leaving elementary school. Yet, reclassification rates for the 2014-15 school year are only 11 percent. If schools are going to reclassify most kindergarteners before they leave elementary school, this reclassification rate would need to double.

- **High School Graduation.** High school graduation rates have improved over the past ten years. From 2010 to 2014, cohort graduation rates increased from 74.7 to 80.8 percent. However, achievement gaps persist in this measure: 76.4 percent of Latino students and 68.1 percent of African American students graduated from high school in 2014, compared to 87.4 percent of white students.[12]

- **College Readiness.** College readiness in California is often measured through the Early Assessment Program (EAP). Starting in the 2014-15 school year, the SBA for 11th grade for English language arts and mathematics will be substituted for EAP as an early indicator of college readiness. The California State University System (CSU) and most of the California Community Colleges accept the results of the EAP as proving a student's readiness for college level English or math courses. Students meeting standards are considered "conditionally ready", and must take and pass a course in their senior year to be ready. Those exceeding standards are ready as 11th graders.

  - In 2014-15, the results indicate that 23 percent of students were ready in English language arts and 11 percent in mathematics.

  - Access to appropriate preparation courses in 12th grade is an important issue given that many students were determined to be conditionally ready — 33 percent in English language arts and 18 percent in mathematics.

An additional indicator of college readiness is completion of college prep coursework. CSU and the University of California (UC) define this as meeting the A-G coursework requirement. However, in the 2013-14 school year, only 42 percent of high school graduates completed the A-G coursework. For low income students the completion rate was only 33 percent, and 32 percent for Latino students. Since these percentages are relative to high school graduates, the percentage of any high school cohort completing these requirements is even lower.

- **College Remediation.** While not a specific priority area in LCFF, the percentage of students that enter college unprepared to do college work is an additional indicator of the inadequate level of preparedness of our top students leaving the K-12 system. At the same time, the CSU has invested significant effort in partnership with K-12 schools, and has shown how much progress can be made when systems focus on specific goals.

  - At CSU campuses, only 59 percent of admitted freshmen were prepared for both college-level English and math in fall 2014. For African American students, only 38 percent were prepared in both subjects, and for Latino students, only 48 percent were prepared. While these percentages are low, significant progress has been made in recent years, Seven years ago these preparedness rates were 44 percent for all students, 22 percent for African American students and 27 percent for Latino students. For some campuses, the results are very low. For example, in the Los Angeles and Dominguez Hills campuses, only 29 percent and 26 percent, respectively, of regularly admitted freshmen were prepared.[13]

12 See www.cde.ca.gov/nr/ne/yr15/yr15rel34.asp.

13 See asd.calstate.edu/performance/proficiency.shtml.

» According to a 2011 Legislative Analyst report on postsecondary remediation, about 26 percent of regularly admitted freshmen at UC schools arrived unprepared for college-level writing in 2010. This same report also highlighted survey data from the California Community College Chancellor's Office, showing that 85 percent of incoming community college students arrive unprepared for college-level work in math, and about 70 percent for English.[14]

Possible Components of an Adequate School System

With adequate funding, districts would be able to take the steps necessary to make progress on the key indicators listed above and move more students toward the ultimate goal of the K-12 system, namely to provide all students the opportunity to graduate college and career ready. Consistent with LCFF, the state should resist micromanaging the use of adequate funding, but instead use a combination of increases to the base funding level and the supplemental and concentration grants to provide districts with the resources they need to be successful. While the specific uses of those funds would likely vary from district to district, here are some of the key areas of investment which fundamentally improve student outcomes. These components, which are supported by research, can also serve as guidance for districts making decisions about where to place limited resources.

1. **Effective Instructional Strategies.** Districts should seek out proven instructional strategies that can meet the specific needs of their students. Effective delivery of instruction means providing schools with crucial information on proven methods, while also giving teachers the flexibility to adapt curriculum to be culturally responsive to the needs of their students. In a well-organized structure of instruction, teachers should also have the ability to collaborate and develop new strategies.

   Common aspects of programs centered on effective instructional strategies is their infusion of career knowledge and 21st century skills within a strong academic curriculum. Some of these programs include:

   ❖ LinkedLearning, Career and Technical Education (CTE), Regional Occupational Programs (ROP), California Partnership Academies, and other programs with a strong career focus. Within these and other programs, career knowledge is gained through counseling, internships and mentorship experiences, and the applicability of academic classroom concepts to real world problems.

   ❖ Programs focused on student engagement, including project-based learning, out of school time, summer learning, and the infusion of arts and other subjects that inspire creativity and critical problem solving.

   ❖ Additional strategies that build 21st century skills by addressing the social-emotional needs of students, such as restorative justice, student empowerment, and the establishment of a positive school culture that is welcoming to all students and families.

2. **Human Capital.** Developing human capital must be the starting point when it comes to investing in an adequate education system. First and foremost, research has shown that teachers are the most critical "in-school" factor contributing to student achievement. As such, school-level and district-wide efforts should provide the support and time for collaboration and growth that will facilitate teachers to reach their full professional potential, and attract and retain the highest quality education professionals. This also includes developing effective school leaders that can ensure that the right policies and methods are effectively implemented. Developing the necessary pipeline of school leaders and teachers will require focusing on improving recruitment, training, and support structures to ensure that our best and brightest enter and remain in the education system. State investments and creative solutions to the human capital challenge will be crucial, especially given the teacher shortage. Human capital should also include building family and community capacity to engage with and support students.

14 See www.lao.ca.gov/sections/higher_ed/FAQs/Higher_Education_Issue_02.pdf.

3. **Addressing Early Gaps.** Research has shown that large educational gaps start even before students enter a kindergarten classroom. Districts should work to close those gaps so that all children can enter kindergarten ready to learn. Investing in high quality, early education is a method by which to improve student outcomes with significant evidence to support its efficacy. Providing quality programs starting in pre-K allows a district to address gaps early before they have a deeper negative impact on students. Investing in early education also ensures that all students are provided with the basic skills that serve as the foundation for success in the later grades. For example, literacy by 3rd grade is a key predictor for student outcomes in high school and beyond.

4. **Student Supports.** California schools are increasingly serving more low income, English learner, homeless, foster youth, and special education students. Investing in student support services and staff that can meet the diverse needs of the student population is crucial. County offices of education play a crucial role in providing capacity and resources, and coordinating across various municipal agencies to proactively support students, particularly incarcerated and pregnant youth, and youth on probation. Through these investments and coordination, schools ensure that basic student emotional and health needs are met so that they are ready to learn and meet their full potential.

5. **Alignment and Monitoring of Achievement.** In order to be effective, school systems need ongoing, accurate, and detailed information to both inform and evaluate instruction, i.e., to determine how well the programs in which they are investing are serving students and improving their outcomes. School systems should establish partnerships with colleges, universities, and industry to ensure that there is alignment and responsiveness to emerging needs. Through these partnerships, a common system for monitoring achievement should be developed. For example, progress in high school should be an indicator for progress in college and potentially career success. This alignment can help to lower postsecondary remediation rates and ensure that more students graduate with a postsecondary degree. Through common measurement and priorities, educators and the public alike will know whether the school system is doing well by all students and adapts when gaps are identified. Through this reflective system, we can ensure that an education envisioned as adequate today remains adequate well into the future.

Moving Forward

Adequacy is urgently needed to improve outcomes for all students and more aggressively close achievement gaps in California. There is a fundamental role for the state in addressing this issue. There is the constitutional duty for the state to ensure equity of opportunity for students. Adequate funding will be crucial for districts as they continue to move toward the goal of college and career readiness for every student. The good news is that we know that we can achieve considerable results if the right indicators, components, leadership, and funding are in place.

Chapter 5

Increasing the Size of the Pie

State funding and local property taxes are the two primary funding sources for school districts and county offices of education (LEAs).[15] (See Figure 1.[16]) LEA funding from the state comes mostly from the state's General Fund, which is composed of three primary sources: the Personal Income Tax, the Corporate Income Tax, and the Sales and Use Tax. (See Figure 2.[17])

Figure 1: LEA Funding Sources

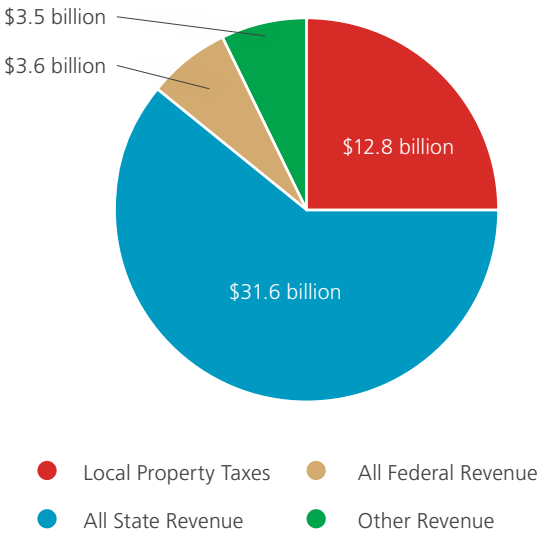
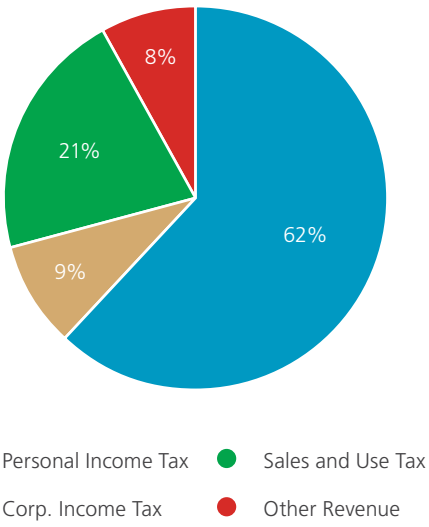


Figure 2: State General Fund Revenue Sources



15 This section of the report focuses on operational funding. Funding for facilities is not addressed.

16 Data available at www.ed-data.org/state/CA (last visited October 21, 2015).

17 The LAO provided data that included EPA amounts. (Legislative Analyst, "The 2015-16 Budget: California Spending Plan" (Oct. 2015) p. 2.) The EPA amounts were removed. (California Forward, "Financing The Future: How will California pay for tomorrow?" (2015) ch. 1, p. 4.)

Additionally, Proposition 30 temporarily raised the Sales and Use Tax rate and, for high income earners, the Personal Income Tax rates and deposited the revenue generated by these increases into a special fund known as the Education Protection Account (EPA). Proposition 30 requires that EPA funds be spent on K-14 education. As the EPA is technically separate from the General Fund, all references to the General Fund (including in Figure 2) do not include EPA revenue unless otherwise indicated.

Personal Income Tax

California's Personal Income Tax (PIT) system uses a typical marginal tax approach that applies increasing tax rates to different brackets of income. Individuals and families as well as sole proprietorships pay the PIT based on their earned income in a given year. (Businesses that are corporations pay the Corporate Income Tax, which is discussed next.)

The ability of the state to levy the PIT is derived from the California Constitution and is implemented through a variety of statutes.[18] Capital gains — income from the growth in an individual's investment — is considered taxable income for purposes of the PIT. As noted above, Proposition 30 temporarily raised the marginal PIT rate by 1 to 3 percentage points for high income earners, which expire on January 1, 2019. The complete set of 2015 marginal PIT rates are found in Figure 3.[19] All PIT revenue is deposited into the General Fund or the EPA. For 2015-16, PIT revenues are estimated to be approximately $77 billion,[20] of which at least $6.5 billion is estimated to go to the EPA as a result of Proposition 30.[21]

Figure 3: Marginal PIT Rates for 2015

2015 Rate	Single/Filing Separately	Married/Filing Jointly	Head of Household
1.00%	$0–$7,749	$0–$15,700	$0–$15,710
2.00%	$7,749–$18,371	$15,700–$37,220	$15,710–$37,221
4.00%	$18,371–$28,995	$37,220–$58,744	$37,221–$47,982
6.00%	$28,995–$40,250	$58,744–$81,546	$47,982–$59,383
8.00%	$40,250–$50,869	$81,546–$103,060	$59,383–$70,142
9.30%	$50,869–$259,844	$103,060–$526,444	$70,142–$357,981
10.30%	$259,844–$311,812	$526,444–$631,732	$357,981–$429,578
11.30%	$311,812–$519,687	$631,732–$1,052,886	$429,578–$715,962
12.30%	$519,687+	$1,052,886+	$715,962+

Most of the current discussion regarding the PIT centers on renewing the marginal PIT rates for high income earners created by Proposition 30. Indeed, as of October 2015, at least one initiative is circulating that maintains the PIT rate increases under Proposition 30 beyond January 1, 2019.[22] However, by simply maintaining the PIT rate increases (and

18 Cal. Const., art. XIII, § 26; Rev. & Tax Code, § 17041 *et seq.*

19 Schedule X of Franchise Tax Board, "2015 California Tax Rate Schedules," available at http://bit.ly/1kHJ93q. The Mental Health Services Tax (approved as Proposition 63 in 2004) imposed an additional 1% tax on the portion of taxable income in excess of $1 million. (Rev. & Tax Code, § 17043.) These revenues are deposited into a Special Fund and are not considered part of the state's General Fund.

20 Legislative Analyst, "The 2015-16 Budget: California Spending Plan" (Oct. 2015) p. 2.

21 California Forward, "Financing The Future: How will California pay for tomorrow?" (2015) ch. 1, p. 4.

22 "The School Funding and Budget Stability Act of 2016" (#15-0065), available at http://bit.ly/1Mw47wS.

allowing the increases in the Sales and Use Tax to expire), this initiative is aimed at preventing a reduction to education spending rather than getting the state closer to adequate funding for education.

One option to generate significant new revenue would be to increase the marginal PIT rates or create new rates beyond the Proposition 30 levels. Doubling the marginal PIT rate increases on high-income earners from Proposition 30 levels could potentially generate up to an additional $6.5 billion in new revenue, although actual revenue could be less given that the higher rates might create a disincentive to earn income in California.

Corporate Income Tax

The Corporate Income Tax (CIT) is a flat tax on the taxable income of any corporation, although the flat tax rate varies depending on the type of corporation. (See Figure 4.[23]) The constitutional authority to levy the CIT is the same as to levy the PIT; however, the statutory authority is different and significantly more complex.[24] For 2015-16, CIT revenues are estimated to be approximately $10.3 billion, all of which is deposited into the state's General Fund.[25]

Figure 4: CIT Tax Rate on Corporate Type

Type of Corp.	S-Corp.	C-Corp.	Bank and Financial C-Corp.	Financial S-Corp.
Rate	1.50%	8.84%	10.84%	3.50%

The difficulty with using the CIT to generate a substantial level of new revenue is that its current yield of just over $10 billion is small relative to the revenue generated by the PIT and the Sales and Use Tax. While an increase of less than a percentage point in the current Sales and Use Tax rate would generate $5 billion, the state would need to increase the CIT rate by 50% — a much more substantial tax hike — to generate that amount of revenue.

Much of the recent discussion regarding the CIT has focused on three tax breaks provided to corporations. A failed 2010 proposition that would have ended these corporate tax breaks was estimated to have generated $1.7 billion.[26] One of those tax breaks was repealed in 2012 with the passage of Proposition 39; the remaining two tax breaks are estimated to cost the State $600 million annually.[27]

There are also other proposals that increase corporate taxes with respect to specific activities. The most prominent of these are the proposals to levy a severance tax on the extraction of oil and natural gas. While not strictly a tax on corporate income, these proposals would set a tax rate of 9.5 percent of the average price per barrel of California oil or 3.5 percent of the average price per unit of gas. It is estimated that these proposals would generate $1.6 billion annually.[28]

23 Franchise Tax Board, "What are the tax rates for corporations?" available at http://bit.ly/1WNAqZB.

24 Cal. Const., art XIII, § 26; Rev. & Tax Code, § 23001 *et seq.*

25 Legislative Analyst, "The 2015-16 Budget: California Spending Plan" (Oct. 2015) p. 2.

26 Circulating Title and Summary for "Repeal Corporate Tax Loopholes Act" (#09-0058), available at http://bit.ly/1lhnXSl.

27 Legislative Analyst, Impartial Analysis of Proposition 39 (2012), available at http://bit.ly/1PyDPuR. Since the LAO estimated that Proposition 39 would generate $1.1 billion from the elimination of one tax break, the remaining two tax breaks are estimated to generate $0.6 billion.

28 Sen. Appro. Com., Analysis of Sen. Bill No. 1017 (2013-2014 Reg. Sess.) as amended May 14, 2013, available at http://bit.ly/1Mw4MhR.

Sales and Use Tax

California's statewide Sales and Use Tax (SUT) applies to the retail sale of any tangible personal property in the state and is established through a variety of constitutional provisions as well as state statutes.[29] The SUT is different from the PIT and the CIT, however, in that SUT revenues are partially distributed to the state and partially distributed to local government. Additionally, while the base SUT rate for 2015-16 is 7.50 percent, cities and counties can increase the SUT rate in their jurisdiction up to an additional 2.50 percentage points with voter approval. Thus, the actual SUT rate in a particular location varies and can reach as high as 10.00 percent.

Of the revenue generated by the base SUT rate, 3.94 percentage points (out of 7.50) is deposited in the General Fund and 0.25 percentage points is deposited in the EPA for a total of 4.19 percentage points available to go to K-14 education. (Under Proposition 30, the SUT increase of 0.25 percentage points will cease as of January 1, 2017.) The full breakdown of how SUT revenues are distributed is found in Figure 5.[30]

Figure 5: Breakdown of SUT Revenues

Purpose	Rate
To the State's General Fund	3.94%
To the Local Revenue Fund 2011 to support county realignment (enacted in statute 2011 but codified by Proposition 30)	1.06%
To the local city or county for its operations[i]	1.00%
To the Local Public Safety Fund to support local criminal justice activities	0.50%
To the Local Revenue Fund to support local health and social services programs (pursuant to a 1991 realignment of these responsibilities)	0.50%
To the Education Protection Account to support K--14 education (pursuant to Proposition 30, expires at the end of 2016)	0.25%
To counties for transportation	0.25%
Total	**7.50%**

For 2015-16, state SUT revenues are estimated to be approximately $48 billion, of which approximately $23.7 billion goes to the State's General Fund and approximately $1.5 billion goes to the EPA.[31] The revenue generated by local SUT increases is not included in this total because it is used exclusively by cities and counties for local purposes and is not typically allocated to schools.

29 Cal. Const. art. XIII, §§ 35-36; Rev. & Tax Code, §§ 6051, 6051.15, 6051.3, 6051.5, 7203.1.

30 Board of Equalization, "Detailed Description of the Sales & Use Tax Rate," available at http://bit.ly/1L7menm.

31 Legislative Analyst, "The 2015-16 Budget: California Spending Plan" (Oct. 2015) p. 2.

The statewide SUT generates a significant portion of the revenues currently used to support schools. An increase of 0.25 percentage points generates approximately $1.5 billion; thus, an increase of 1 percentage point could generate up to $6 billion. However, while increasing the SUT rate is one means to use the SUT to generate significant new revenue, it is not the only means to do so.

There recently has been significant discussion regarding the possibility of expanding the scope of the SUT beyond tangible goods to encompass services. The issue, of course, is which services to include in the expansion. According to a recent report from California Forward, including only "services already connected to taxable retail activities such as auto repair, entertainment, sporting events, and personal services like hair salons … is likely to raise between $5 billion and $7 billion each year."[32] A much broader expansion to include most services, including business-to-business services "such as advertising, financial, and legal services … could generate between $13 billion and $25 billion."[33]

The primary concern expressed regarding any increase to the current SUT rate or an expanded SUT is the disproportionate impact these changes could have on low income residents who typically pay a higher percentage of their income in sales taxes. Depending on how the change in the scope of the SUT is structured, however, any disproportionate impact could potentially be offset by an expansion of California's Earned Income Tax Credit and/or a modification in the scope of the SUT.[34]

Local Property Tax

Real property in California is taxed at the local level at a maximum rate of 1 percent.[35] However, the taxable value of a property depends, in large part, on when the property was most recently sold. The assessed (i.e., taxable) value of a property is only allowed to increase by 2 percent a year based on the last purchase price of the property, even if the market value of a property increased by more than 2 percent.[36] For 2015-16, local property taxes ("LPTs") are estimated to generate at least $50 billion statewide.[37]

Unlike the PIT, the CIT, and the SUT, LPTs are administered and collected by counties rather than the state. However, LPT revenues are distributed exclusively to local governments within each county by a formula determined by the state.[38] Individual LEAs can increase their LPT revenue with voter approval. To do so, two-thirds of voters must approve a parcel tax, typically an additional tax per parcel or per square foot, to generate revenue dedicated to the operations of the LEA.[39] As one might expect, the high voter threshold of two-thirds limits the viability of parcel taxes in many districts and the distribution of parcel taxes is not even throughout the state. (See Figures 6 and 7.[40])

32 California Forward, "Financing The Future: How will California pay for tomorrow?" (2015) ch. 3, p. 8.

33 Ibid.

34 See, e.g., Public Policy Institute of California, "The Earned Income Tax Credit in California" (May 2015) available at http://bit.ly/PNh5wC.

35 Cal. Const. art. XIII A, § 1, subdivision (a).

36 Cal. Const. art. XIII A, § 2, subdivision (b).

37 Legislative Analyst, "Property Tax Reductions to Diminish as Housing Market Improves" (May 2014) p. 2.

38 Proposition 13 requires the State to determine the allocation of LPT revenue among the local governments within a county. Soon after the passage of Proposition 13, the State enacted SB 154 and then AB 8, which together distributed LPT revenues within a county such that each local government within that county received the same share of county-wide LPT revenue as it had before Proposition 13, although the overall amount was reduced.

39 Voters can also approve an ad valorem tax, an increase to the tax rate on the value of their property, with a 55% voter majority. (Cal. Const. art. XIII A, § 1, subd. (c).) However, these revenues can only be used for facilities funding, which is not covered in this section.

40 Public Policy Institute of California, "Parcel Taxes as a Local Revenue Source in California" (April 2015) pp. 10, 11.

Figure 6: Parcel Tax Results, 2003-12

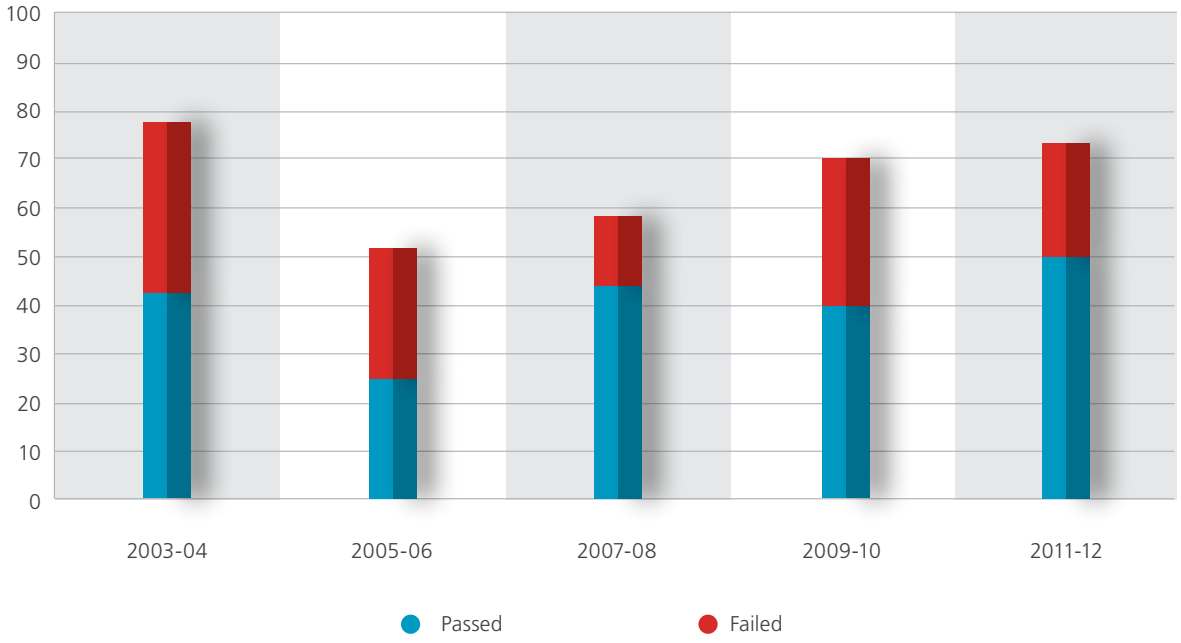
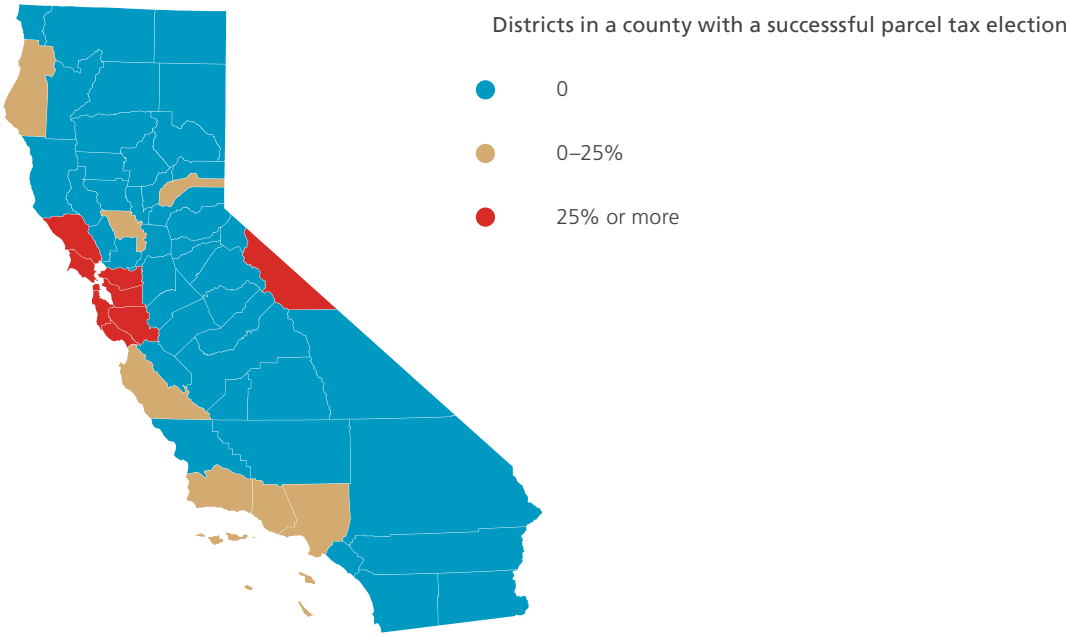
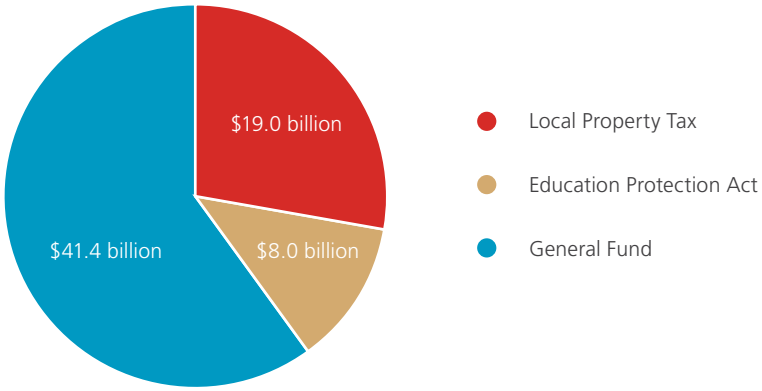


Figure 7: Parcel Tax Results, 2003-12



There have been a number of different proposals to use the LPT to increase funding for education. Many of these proposals would either increase the base LPT rate beyond 1 percent or would increase the potential growth rate beyond 2 percent. One recent proposal, which would levy an additional LPT of up to 1 percent on the assessed value of any real property in excess of $3 million, would generate an estimated $6-7 billion annually.[41] Another proposal, which would allow the assessed value of commercial property to increase much faster, is estimated to generate $9 billion.[42]

Figure 8: Revenue Sources Use to Satisfy Proposition 98 Minimum Guarantee, 2015-16



Any net increase in LPT revenues would need to be through a constitutional amendment. On their own, increases in LPT revenues do not necessarily result in a change in total education funding. Proposition 98, approved by voters in 1988, established a minimum required spending level (known as the "minimum guarantee") for K-14 education.[43] All LPT revenue allocated to LEAs counts as spending for purposes of Proposition 98. The state also counts EPA funds as satisfying Proposition 98. This allows the state to only use its General Fund to provide the remaining funding necessary to meet the minimum guarantee. Thus, while the 2015-16 minimum guarantee was $68.4 billion, the General Fund only contributed approximately 60% of this amount. (See Figure 8.[44]) A corollary of this Proposition 98 mechanism is that if overall LPT revenues go up, the state (via the General Fund) then contributes less to ensure that the minimum guarantee is being satisfied. A constitutional amendment would allow LPT revenues to be exempt from Proposition 98.

41 "Lifting Children and Families out of Poverty Act" (#15-0043), available at https://www.oag.ca.gov/initiatives/active-measures.

42 See http://www.makeitfairca.com/faq.

43 The minimum guarantee level is established by three mathematical formulae. The first formula, known as Test 1, is the percentage of General Fund spending on education in 1986-87. The second formula (Test 2) is the amount actually allocated for the support of K-14 education in the previous fiscal year, adjusted for changes in enrollment and inflation. The third formula (Test 3) is similar to Test 2 but it adjusts for the change in per capita General Fund revenues instead of inflation. In order to determine the minimum guarantee in a given year, the state first determines whether Test 2 or 3 is operable, which depends on the relative growth in inflation as compared with the growth in per capita General Fund revenues. The minimum guarantee is then set at the higher of Test 1 and Test 2 or 3 (whichever is applicable). The Legislature may also suspend Proposition 98 and provide less funding than the minimum guarantee with a two-thirds vote and the Governor's approval.

44 Legislative Analyst, "The 2015-16 Budget: California Spending Plan" (Oct. 2015) p. 8.

Without a constitutional amendment, any proposal that exempts new LPT revenue from Proposition 98 would face yet another obstacle — the confluence of *Serrano v. Priest*[45] and Proposition 13. In *Serrano*, the California Supreme Court held that it was unconstitutional for district wealth to be a determinant of the enjoyment of education except in very narrow circumstances.[46] This ruling prohibits any statutory-based increase in LPT revenues that would disproportionately benefit wealthier districts that does not include additional revenues to equalize the benefits across all districts. However, those additional revenues would not be able to come from LPT revenues in other counties because Proposition 13 prohibits allocating LPT revenue outside of the county in which it is collected. Any additional revenue would need to instead come from other sources (e.g., SUT) and possibly through regional or state-based tax regimes.[47] In this way, constitutional changes could result in local property taxes contributing even more to funding public education.[48]

Other Revenue Sources

The PIT, the SUT, and the LPT are most often discussed as possible revenue sources to generate the necessary funds to adequately fund schools, with the CIT occasionally being mentioned. While there are other revenue sources available, these alternate revenue sources — at least by themselves — are unable to generate more than a few billion dollars even at significant tax rates. Some recent proposals are summarized below:

- **Tobacco** — The LAO estimates that an initiative to levy a $2.87 per pack tax on cigarettes and other tobacco products would generate approximately $1.3-1.5 billion annually.[49]

- **Sugary Drinks** — A bill to levy a $0.01 per ounce tax on sugary drinks proposed this past year was estimated to generate $1.1 billion annually.[50]

- **Marijuana** — There are multiple initiatives that would legalize and allow the taxation of recreational marijuana. The LAO estimates that the current proposals would generate "several hundred millions dollars annually."[51]

Summary

Figure 9 lists estimated tax revenues from the various proposals discussed in this chapter. The Adequacy Committee does not advocate specifically for one or more of these options. Moreover, the revenues listed in Figure 9 are only estimates and may not be fully realized even if enacted. At the same time, the fact that the revenues are estimates does not undermine the fundamental point that if all of the new revenues were dedicated to K-12 education, it would more likely than not accomplish the full and adequate funding of education as called for in this report.[52]

45 See *Serrano v. Priest* (1971) 5 Cal.3d 584.

46 *Robles-Wong v. California*, filed by CSBA and others, is largely based the *Serrano* holding. In *Robles-Wong*, CSBA argues that students cannot enjoy their right to an education because the school finance system provides an inadequate level of funding for schools.

47 See, e.g., California Forward, "Financing The Future: How will California pay for tomorrow?" (2015) ch. 3, p. 18 for a more in depth discussion of one such proposal.

48 A constitutional amendment would also avoid potential issues presented by the General Fund and Proposition 98 "Rainy Day" funds (Cal.Const., Art. XVI, SS 20-22) and by the Gain limit (Cal. Const., Art XIIIB, 5 l *et seq.*)

49 "California Healthcare, Research and Prevention Tobacco Tax Act of 2016" (#15-0030), available at http://bit.ly/1Mw47wS.

50 Rudd Center for Food Policy & Obesity, "Revenue Calculator for Sugar-Sweetened Beverage Taxes," available at http://bit.ly/1klUpTu.

51 "The Marijuana Control, Legalization and Revenue Act of 2016 Version 2" (#15-0039), available at http://bit.ly/1Mw47wS.

52 For another good summary of different revenue proposals published by California Forward, please visit www.CAFwd.org and search for Chapter 3 of its "Financing the Future" report.

Figure 9: Summary of New

Source	Low Est.	High Est.	Type of Change Required	Details
PIT	$5.9b	$6.5b	Statutory	Increase marginal rates on high incomes, with estimated reduction of 10% due to disincentive
CIT	$0.6b	$2.2b	Statutory	Eliminating two corporate tax breaks ($0.6b) only and combined with oil severance tax on corporations ($1.6b)
SUT	$6.0b	$25.0b	Statutory	Increase rate by 1 percent point ($6.0b) or expand scope ($25.0b)
LPT	$6.0b	$9.0b	Constitutional	Increase tax on property in excess of $3m ($6.0b) or increase appreciation rate of commercial property ($9.0b)
Tobacco	$1.3b	$1.5b	Statutory	$2.87 per pack tax
Sugary Drinks	$1.1b	$1.1b	Statutory	$0.01 per ounce tax on sugary drinks
Marijuana	$0.2b	$0.5b	Statutory/ Constitutional	Based on LAO estimate of "several hundred million dollars annually."
Total	**$21.1b**	**$45.8b**		

Chapter 6

Adequacy Committee Recommendations

The Committee was asked to report back to CSBA leadership on the development of any recommendations regarding how to move this body of work forward. The Committee identified the public as the primary consumer of the information included in this report to better inform them of the importance of adequately funding 21st Century educational experiences for students across the state. To this end, the Committee has identified the following initial recommendations for consideration by CSBA's leadership.

- **Be Bold:** The Committee determined that a bold public education effort is necessary in order to have an impact with the target audiences
- **Enlist Partners:** The Committee determined that forming an alliance with educational partners across the state would create a strong call to action to further advance the report's message on behalf of students
- **Big Picture:** The Committee determined that in order to better engage the public, marketing efforts should include a compelling, condensed story highlighting the need for adequately funded schools. Messaging should reach beyond the funding needed to include examples of why adequacy is so important to the 21st Century student
- **Timeline:** The Committee determined that the adequacy rollout and marketing effort should be both thoughtful and strategic to better reflect the overall goals of the Committee and to recognize the political climate
- **Cautiously Optimistic:** The Committee determined that in considering fiscal recommendations, several variables need to be assessed, including various data sets, state funding priorities and allocations, and the social and political environments, before deciding what the final "ask" will be.

CSBA is committed to working with stakeholders and utilizing its legal, political and policy influence to ensure the issue of adequate school funding remains a top policy issue.

Appendix 1

CSBA Delegate Assembly

Prepared for CSBA by
Robert Manwaring Consulting
May 2015

csba

Competing Measures of Per Pupil Funding

- **National Center for Education Statistics (NCES) (2011-12).** An official government source, provides historic data.
- **Ed Week (2011-12).** Uses NCES data, but adjusts for regional costs – an important factor for California.
- **National Education Association (NEA) (2013-14).** Most timely source of estimates (Early estimates for 2014-15 available, but historically inaccurate).

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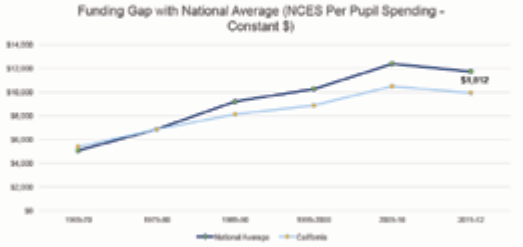
Funding Gaps Arise Post Prop 13



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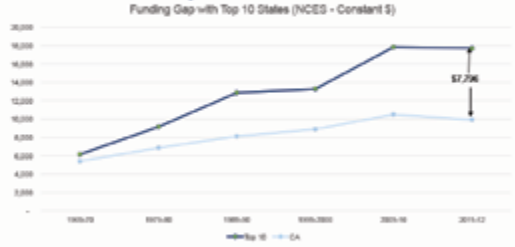
California Has Fallen Far Behind Top 10 States



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Ed Week – California Faces Higher Costs

State	Regional Cost Relative to National Average
New York	1.13
California	1.11
Texas	1.03
Illinois	1.02
National Average	1.00
Georgia	0.98
Florida	0.91

csba Dr. Taylor Update of her NCES Methodology (2013)

California Ranking Low

	NEA	Ed Week (Cost Adj.)	NCES
National Average	$11,722	$11,735	$11,732
California	$10,370	$8,308	$9,920
Funding Gap	$1,352	$3,427	$1,812
State Ranking	33rd	45th	35th

csba Source: NEA, NCES, Ed Week 2011-12 through 2013-14

CA Funding Gaps and Costs to Close Gaps

Amount needed to get to national average according to:			Amount needed to get to average of 5 largest states according to:			Amount needed to get to average of 10 top (education) spending states according to:		
NCES	EdWeek	NEA	NCES	EdWeek	NEA	NCES	EdWeek	NEA
$1,812 per pupil	$ 3,427 per pupil	$1,352 per pupil	$2,784 per pupil	$2,829 per pupil	$1,319 per pupil	$7,796 per pupil	$7,648 per pupil	$9,038 per pupil
$12.6 billion	$23.5 billion	$9.6 billion	$16.8 billion	$19.4 billion	$8.2 billion	$47.0 billion	$52.5 billion	$56.1 billion

csba 2011-12 through 2013-14

How Will Recent Prop 98 Money's Impact Funding Gaps?

	Prop 98 (On-going)	Prop 98 (One-time)	Combined
2013-14	$48.6	$2.8	$51.4
2015-16	$59.6	$4.8	$64.5
Increases	$11.0	$2.1	$13.1
Increase per Pupil			$2,104

- Recent investments could move CA near national average (unadjusted) for first time since Proposition 13 passed.
- CA will still significantly lag other states if spending is adjusted for regional costs

csba Source: May Revision and LAO

Beyond 2015-16

- Continued Fiscal Progress will depend on:
  - ✓ Continued economic recovery
  - ✓ Replacement revenues for Proposition 30
    - Proposition 30 reauthorization
    - (SB 8) Broaden sales tax to services
    - Commercial property tax initiative
  - ✓ Proposition 98 maintenance factor almost retired: $772 million left

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California Income and Effort

Californians Have Higher Incomes, But State Spends Less on K-12

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California Is a High Income State

	Per Capita Income
California	$50,109
National Average	$46,129
Difference	$3,980
CA Ranking	10th

csba Source: BEA (2014)

CA High Spending on Government, Low on Schools

	State and Local Government Expenditures per $1,000 personal income	
	All Government	K-12 Education
National Average	186	38
California	193	32
Difference	7	-6
Percent difference	3.8%	-15.8%
CA Ranking	24th	44nd

csba Source: NEA (2012)

Low effort - CA Spends Less of Income on Schools

	Percent of total taxable income spent on education
National Average	3.4%
California	2.7%
Difference	0.7%
Rank	tied for 44th

- Average Effort (3.4%) would close the funding gap to the National Average, providing an additional $15 billion

csba Source: Ed Week (2012)

California Staffing Data

Less Funding and Higher Salaries Lead to Fewer Staff

csba

CA One of Worst Pupil-Teacher Ratio in Country

	Pupils per Teacher
California	21.2
National Average	15.4
Difference	5.8
Additional teachers to close gap	110,898
CA Ranking	49th

csba Source: NEA (2013-14)

CA – Texas Comparison: More students less teachers

	Teachers	Students
California	292,505	6,212,410
Texas	334,612	4,780,772
Difference	(42,107)	1,431,638

csba Source: NEA (2013-14)

CA Less Staff in All Categories (students per staff member)

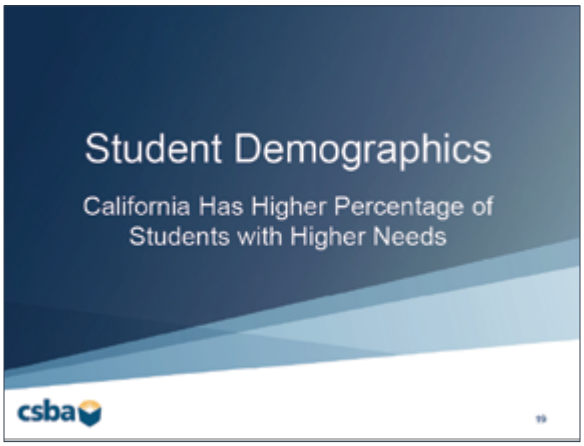
	All staff	Officials and Admin.	Principals and Asst. Principals	Instruct-ional aides	Guid-ance coun-selors	Librar-ians
California	11.5	2,263	384	99.9	824	8,173
National Average	8.0	759	293	68.0	481	1,064
Difference	3.5	1,504	91	31.9	343	7,110
Additional staff to close gap	237,205	5,501	5,070	29,442	5,436	5,138
Ranking	49th	47th	45th	47th	49th	50th

csba Source: NCES (Fall 2012)

Salary Costs Higher than other States

	Average Teacher Salaries (unadjusted)	Average Teacher Salaries adjusted for Regional Cost
California	$ 71,396	$ 64,572
National Average	$ 56,610	$ 56,610
Difference	$ 14,786	$ 7,962
CA Ranking	4th	9th

csba Sources: NEA (2013-14), NCES (2013)



CA Has Highest Concentration of ELs

State	English Learners (Percent of Enrollment)
California	22.8
New Mexico	15.8
Nevada	15.7
Texas	15.1
Colorado	12.0
Alaska	11.3
National Average	9.2

csba Source: NCES (2012-13)

CA Has Above Average Rate of Low Income Students

	Free/Reduced Lunch Eligible
California	56.3%
National Average	51.3%
Difference	5.0%
Ranking	13th

csba Source: NCES (2012-13)

California Families Face Highest Supplemental Poverty Measure

	All Children	Black	Hispanic / Latino
California	26.6%	35.2%	37.8%
National Average	18.1%	29.7%	30.6%
Difference	8.5%	5.5%	7.2%

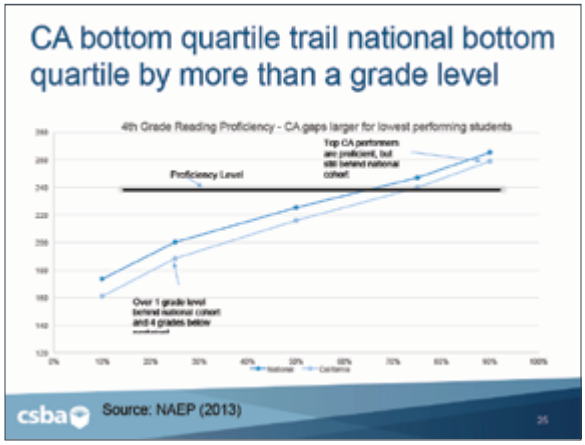
Census Bureau's *Supplemental Poverty Measure* adjusts for regional housing costs, medical expenses and governmental programs (tax credits, taxes, food stamps, free/reduced lunch and other programs that help meet basic needs)

csba Source: Packard Foundation (2011-13)

Average CA students Trail National Average in all grades and subjects (NAEP scale scores)

	Reading		Math		Science
	4th	8th	4th	8th	8th
National Average	222	268	242	285	152
California	213	262	234	276	140
Gap	9	6	8	9	11
Rank	46th	41st	47th	44th	48th

csba Source: NAEP (2013)


CA bottom quartile trail national bottom quartile by more than a grade level
4th Grade Reading Proficiency - CA gaps larger for lowest performing students
Proficiency Level
Top CA performers are proficient, but still behind national cohort
Over 1 grade level behind national cohort and 4 grades below
csba
Source: NAEP (2013)

Appendix 2

Codebook for Adequacy Committee March 2015 Breakout Groups

How has the current lack of adequate funding impacted the students in your district?

Student learning — 25 Mentions

3 — Not enough CTE

3 — Not enough field trips to museums

3 — Not enough arts education

3 — Not enough learning materials, e.g., science

2 — Not enough enrichment opportunities

Not enough real world learning opportunities

Not enough internships

Learning time lacks quality

Lack of focus on the whole child

Not enough special classes, e.g., P.E., music, reading

Need specialty schools, e.g., STEM

Not enough co-curricular opportunities

Not enough differentiated instruction

AP has been eliminated

Text books are not current

Do not have middle school to high school transition programs

Extended learning — 8 Mentions

5 — School day is too short

School year is too short

Extended time is not rigorous or robust enough

Not enough summer school

Instructional support services — 2 Mentions

Not enough supports for ELLs

Not enough intervention classes

Parent education — 1 Mention

Parent expectations are often based off of their own experiences in school

Budgets — 14 Mentions

2 — Volatility

Too reliant on fundraising

Deficit spending

Decreasing enrollment

Still recovering from the recession

Overtime is unpredictable

Too many unfunded mandates

Irrational

Necessitates creative thinking to find more efficient ways of doing business

Benefits

Lower interest rates

Utilities profiting from schools

Loss of Quality Education Investment Act

Facilities — 8 Mentions

2 — Not enough custodians

2 — Deferred maintenance

Expensive maintenance takes away money from other programs

Encouraged districts to conserve energy

Termite damage

Athletic field maintenance

Student life and wellness — 8 Mentions

2 — Not enough nurses

3 — Do not have sufficient support for athletics, i.e., not enough athletic support staff and trainers

Do not have a career center

Not enough mental health

Technology — 8 Mentions

4 — Not enough adequate technology

Not enough computers at elementary schools

Data management is out of date

Not enough training for teachers

Not enough access

Staffing — 19 Mentions

6 — Not enough counselors, reading specialists, administrators, language specialists, etc.

2 — Not enough K-12 counselors

Unable to extend the work day in order to boost prep time and teacher pay

The teaching profession is not valued

Not enough central office staff to keep up with policy updates

Not enough teachers

More music program staff

Beginning teachers salary is too low

Do not have college guidance counselors

Labor unrest

Low morale

Teachers are underqualified

Do not have the resources for employee compensation

School environment — 12 Mentions

6 — Class sizes are too big

3 — Increase in violence and disciplinary issues

2 — Big schools

Not enough festivals and competitions

Professional development — 6 Mentions

3 — Not enough quality, deep, and sustained professional development

Unable to extend the school year for more professional development

Difficult to provide development for CCSS

Necessitates more team work

Early childhood learning — 3 Mentions

2 — Do not have universal pre-school

Students are not prepared when entering K-12

Miscellaneous — 9 Mentions

"Accountability without relationships"

Lack of adjustment to changing times

Increase in charter, private, and home schooling

Need to be entrepreneurial

Do not have staff to connect with the community

Do not have community partnerships

Do not have community schools

Do not have resources to ensure smooth transitions

Difficulty with buses/transportation

How would an adequate level of funding impact students in your district?

Student learning — 24 Mentions

4 — Individualized learning plan for all students

Rigorous academics

Advanced assignments

Academics/pathways

Project based learning

Beyond school opportunities

Enrichment opportunities

Connected to school and learning

STEAM

Music

21st Century learning content

Alignment across all grades

Dual immersion

Career tech

Full enrichment program for gifted

Arts for all

Adult education

Multicultural education

Civically engaged graduates/educated citizens

Concurrent enrollment

Option to take A-G courses

Extended learning — 4 Mentions

3 — Extended school day/year

Full enrichment summer school

Instructional support services — 8 Mentions

Response to intervention

Focus on literacy by 3rd grade

Support services

Kids feel like they have a chance and have career and college options

AVID

Socio/emotional learning

More academic/pathway programs

Onsite ELS

Intervention programs

Parent education — 3 Mentions

2 — Parent education

Increase resources for parents

Budgets — 7 Mentions

Stability

Additional supplemental funds

Fully funded pensions

Fully funded special education

School site funding

No need to fundraise

Transportation

Facilities — 6 Mentions

Quality and sustained facilities

Facilities

Facilities for TK

Replace portables with new construction

Green buildings

Adequate facilities (no portables, no deferred maintenance, seismic retrofit, joint use, special ed

Student life and wellness — 6 Mentions

Comprehensive student services

More engagement for more kids

Contact with colleges

100% graduation rate

Free healthy meals

Healthcare for students

Technology — 6 Mentions

2 — Internet access

Community engagement

Technology to support CCSS

Digital access

Ebooks

Staffing — 6 Mentions

Teachers and staff that align closer to student demographics

Increase staffing

More teachers

More counselors

Higher staff compensation

Better recruitment, retention, and job satisfaction

School environment (with class size as a subcategory) — 8 Mentions

2 — Increase safety

2 — Class size

Library access

25:1 in 3rd-8th grade

20:1 in K-3

Restorative justice

Professional development — 3 Mentions

2 — Time for planning and collaboration

Professional development

Teacher preparation

Early childhood learning — 3 Mentions

2 — Preschool

Early education

Miscellaneous — 4 Mentions

Collaborate with other agencies

Flexibility to compete with charters

More magnet schools

Community schools

Goals:

All kids literate by 3rd grade

Kids feel like they have a chance and have career and college options

100 percent graduation rates

Civically engaged graduates/educated citizens

Appendix 3

CSBA's Delegate Assembly, on May 16, 2015, responded to the following question:

Create a school of the future without being limited by any financial or regulatory constraints, what is it going to look like?

Group 1:	Group 2:
1. Developing Student Passions: Customized per student, social emotional support to students wellness centers, individual learning plans for each student 2. Modern Facilities 3. Highly Qualified Staff 4. Parent Integration	1. More STEAM (STEM+Arts) 2. Facilities money 3. Career tech pathways 4. Longer school day 5. Integrate performing arts into curriculum
Group 3:	**Group 4:**
1. High Speed Rail Technology 2. Differentiated Instruction 3. Community Resource Centers Onsite 4. Parent Center - support from birth on	1. Excellent teachers perceived as noble 2. Premier lab and technology/ state-of-the-art facility 3. Parental involvement at least up to fourth grade 4. Eliminating grade levels
Group 5:	**Group 6:**
1. Attract most qualified teachers 2. CTE Pre-k-12 3. Nutrition, Mental Health 4. Tech-based, personalized anytime learning 5. All stake holders engaged - parents, students, continuous learning	1. State of art facilities 2. Equitable funding among all communities for ed programs 3. Full Student support (health, mental health, social services, family) 4. Case manager/counselor for every student 5. Individualized Education Program for each child 6. Minimum 210-250 days per year

Group 7:	**Group 8:**
1. Staffing — Investment in Human Capital 2. Flexible curriculum & instruction 3. Facilities — technology 4. Volunteers/Community members/Family engagement	1. Well-staffed, well-resourced and well-funded, the best teachers and support staff in their disciplines 2. Common vision/goal for student achievement that incorporates holistic subject matter driven by student needs 3. A-G, career pathways with industry support & buy-in, coordination w/local colleges, STEAM 4. Awareness of all cultures/diversity and cultural competence. Ethnic studies and multiple languages taught
Group 9:	**Group 10:**
1. Every child receives an Individual Education Plan, similar to an IEP for spec ed 2. Eliminate Age Grouping/grades. Eliminate grade level system 3. Teacher incentives: Housing for teachers, merit pay, working conditions for teachers 4. Wellness embedded in school (social, health, mental health)	1. Technologically advanced facilities: Virtual learning, professional development, online assessments, access to information 2. Academics, arts, athletics, CTE — Balance 3. Individual learning plans for all students 4. Modernization of school facilities 5. High quality staff given continuous training and monitoring to ensure they have resources to engage students at all levels

Top 10 ideas from the Delegate Assembly

1. Facilities: state of the art facilities integrated with technology and high speed technology
2. **Individual learning plans:** personalized learning for the whole child
3. Highly qualified and well-compensated staff: teacher incentives
4. **Parental integration:** parental involvement
5. Balance: common vision for students including cultural awareness and dual language mastery
6. **Parent and community resource center:** site integrated resource center
7. Flexible instructional opportunities: learning without walls
8. **Pre-k-career technical education partnerships:** local industry and business groups
9. Eliminate age grouping: mastery, not grade level
10. **Healthy food:** increase local, healthy foods

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