

District Dollars: Painting a Picture of Revenues and Expenditures in California's School Districts

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Getting Down to Facts

A research project designed to provide California's policy-makers and other education stakeholders with comprehensive information about the state's school finance and governance systems, and lay the groundwork for a conversation about needed reforms. The project was made possible by grants from the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, the James Irvine Foundation, and the Stuart Foundation.

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For the full text of the author's research report and the other studies in this project, see: www.irepp.net

For background on California's school finance system, see: www.californiaschoolfinance.org

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As the debate in California grows regarding both the sufficiency and efficiency of school funds, there is still a lack of understanding regarding what school districts spend money on and where they get those funds. To improve that understanding, this study addresses the following questions:

1. What are the patterns of school district expenditures and revenues in California?
2. How do those patterns vary across districts?
3. What are the general patterns of allocation for personnel, and how do they differ across districts?
4. How has spending changed in California over time?
5. How do California's spending patterns compare to those of other states?

Study Methods

This study uses California's Standardized Account Code Structure (SACS) to define categories of revenues and expenditures. The data come from the 2004–05 school year, the most current available at the time this report was written. The paper presents both averages and distributions for multiple types of revenues and expenditures.

The authors differentiate between *general fund spending*, which the California Department of Education (CDE) uses as its definition of district spending, and *total spending*, which includes expenditures from all district funds. They note that the general fund accounts for approximately 70% of all school district spending and argue that limiting measurement of district expenditures per pupil to the general fund both under-reports actual district spending and masks important sources of variation among districts.

The authors also differentiate between *student* and *nonstudent spending*. Their broad category of *student spending* parallels the CDE definition of Current Expense of Education and captures those spending categories that most clearly impact the day-to-day operation of schools. Nonstudent spending includes other expenditure categories that CDE excludes from its Current Expense of Education calculation and that less directly impact daily operations: debt service; capital outlay and facilities; non-agency and community services; spending on

programs for infants, prekindergarten, and adults; retiree benefits; and Public Employee Retirement System (PERS) reductions.

Figure 1 on page 2 provides an overview of the total expenditures per pupil¹ based on both total spending and general fund spending, and differentiating between student and nonstudent spending.

The authors use the SACS data to analyze spending categories in a variety of ways. They use object codes to differentiate between spending on salaries and other types of expenditures; goal codes to differentiate spending among different categories of students (e.g., regular K–12 instruction versus special education); and function codes to examine expenditures based on the types of activities or services provided (e.g., instruction versus administration).

In their analysis of district revenues, the authors focus on a definition that parallels their student spending definition, excluding revenues for adult education, Head Start preschools, deferred maintenance, capital facilities funds from the state, community redevelopment and education, and transfers into districts from Joint Powers Authorities and other agencies.

For many of their analyses of differences across districts, the authors include only districts with at least 250 students, which represent 78% of California school districts but 99.6% of all students. (Very small districts differ in important ways from other districts.)

Figure 1 • The Relationships Among School Expenditure Categories in California (Student-weighted Means, all Districts,* 2004–05)

	Total Spending per ADA [†] from all Funds	General Fund Spending per ADA
Total Expenditures	\$10,593	\$7,384
Student Spending	\$8,074	\$7,137
Nonstudent Spending	\$2,519	\$247

*Includes districts with enrollments of fewer than 250 students.
[†]ADA stands for average daily attendance.

To examine variations in personnel spending more closely, this paper combines the SACS data with personnel data from the California Basic Educational Data System (CBEDS) to analyze the ratios of students to teachers, administrators, pupil services personnel, and “other full-time” and “other part-time” personnel.

The authors also examine California’s spending patterns over the last decade and compare California with Florida, New York, Texas, and the rest of the United States. For these analyses, they use information from the National Center for Education Statistics’ (NCES) Common Core of Data (CCD).

Summary of Key Findings

Total district spending from all funds varies dramatically across districts, but the types of expenditures are similar

On average, total expenditures per pupil are \$10,586 when including spending from all funds, with student spending making up 76% of total expenditures or \$8,074 per pupil. These data exclude districts with fewer than 250 students and so vary slightly from Figure 1. One quarter of California’s students are in districts that spend more than \$11,918 per pupil (from all funds), while another quarter attend districts that spend less than \$8,795 per pupil (from all funds). Of particular

note is Los Angeles Unified School District, which spends \$13,792 per pupil and accounts for approximately 14% of all California education dollars. These variations are much less dramatic when only student spending is considered.

Employee compensation dominates district expenditures

Salaries (K–12 only) make up approximately half of total spending from all funds and approximately 60 percent of all student spending. On average, districts spend \$3,112 per pupil on teacher salaries, or approximately 63% of their K–12 salary expenditures. Most districts spend roughly the same amount, with a difference between the 25th and 75th percentile of only \$357. The average spending for K–12 administrator and supervisor salaries is \$424 per student, approximately 9% of total salary expenditures and 14% of average spending on teachers’ salaries.

With an average of \$1,409 per average daily attendance (ADA), *employee benefits cost districts almost 30% of the cost of K–12 salaries.* Of this, \$417 pays for health and welfare benefits for certified personnel and \$220 pays for those benefits for classified personnel. On average, \$416 goes toward employee retirement benefits. Currently, districts also spend \$86 per student on benefits for already retired personnel.

Expenditures outside of regular K–12 instruction are substantial and vary somewhat more across districts

Districts spend a substantial amount on special education—\$1,035 per ADA on average or 18% of their total instructional expenditures. This spending varies substantially across districts. The majority of spending for special education is for nonseverely disabled students, with an average of \$509 per ADA compared to \$338 per ADA spent on the severely disabled. However, the range across districts is much greater, as should be expected, for the severely disabled.

The authors noted several other expenditure patterns of interest, though each represents smaller amounts per pupil. For example:

- Districts average \$800 per student from all funds for pupil services not directly related to instruction, including food, transportation, guidance and counseling, and health services. (This is not trivial. On average, for every \$100 that districts spend on instruction, they spend \$17 on pupil services.)
- Professional consulting services—such as professional development and accounting—cost \$751 per pupil from all funds, but districts vary greatly in this area.

On average, about two-thirds of district revenues are unrestricted

Based on 2004–05 data, California school districts receive average revenues of \$10,452 per student, with a student-weighted median of \$9,697. (These figures are for revenues related to student spending, as explained above.)

Unrestricted revenues make up approximately 65% of all district resources. These funds include revenue limit funds, additional resources raised at the local level, unrestricted state funds, and some

other sources. Restricted revenues—often thought of as categorical programs—make up the other 35% of district resources. While these include federal and local sources, the bulk of the funds come from the state. A small portion of revenue limit funding falls into this restricted category as well.

This study examines average revenues per pupil from a variety of vantage points and finds:

- Revenue limit sources, which form the base funding for school districts, provide an average of \$5,129 per pupil.
- Local revenue raised by districts provide an additional \$1,349 per student, on average, which is 13% of total district revenues. Parcel taxes represent \$36 of that amount, and private contributions to districts represent \$181.
- The federal government provides \$1,017 per student in restricted revenues. Funds from the No Child Left Behind Act (NCLB) alone average \$432 per pupil, with a quarter of students in districts that receive more than \$677.
- As a statewide average, California provides approximately \$224 per pupil for class size reduction programs.
- Districts receive about \$24 per student, on average, in funds for professional development.

Urban and high-poverty districts have somewhat higher expenditures and revenues

In its assessment of differences across districts in expenditures and revenues, this study considers many district characteristics, including their grade spans (elementary, high school, and unified), urban status, students' race and ethnicity, and proportion of students that receive

Basic aid districts receive revenues differently

For the majority of California school districts, the state supplements local funds in order to provide a predefined, per-student revenue limit amount. A small number of districts, called "basic aid" districts, have local funds that exceed their revenue limit amounts, largely because they have larger property tax bases.

This study compares the expenditures of this subset of districts and finds that while they spend more overall, they do not show particularly different spending patterns from the rest of California school districts. For example, out of \$8,981 per pupil in general fund expenditures in basic aid districts, they on average use 97.7% of those dollars for student spending. Among non-basic aid districts, the per-pupil average is \$7,327, with 96.7% for student spending.

A larger variation exists when total spending is examined, however. Basic aid districts spend \$3,330 per pupil and 20.3% of their total expenditures on capital outlay and facilities, compared to \$1,607 per pupil and 14.4% among non-basic aid districts.

free or reduced-priced meals. Although these characteristics correlate with spending disparities across districts, they explain only a small portion of the variation. In particular:

- Urban districts spend more than other districts, including more per pupil on salaries.
- Districts with high percentages of African American or Hispanic students spend more per pupil, including more on special education. These districts have the highest percent of spending for severely disabled students.
- Districts with high percentages of poor students exhibit all of these patterns: they spend more overall than other districts and spend more on salaries and special education.

These types of districts also have higher overall revenues, with the difference almost exclusively in restricted revenues. On the other hand, high school districts receive more funds, but the difference is mostly in unrestricted revenues.

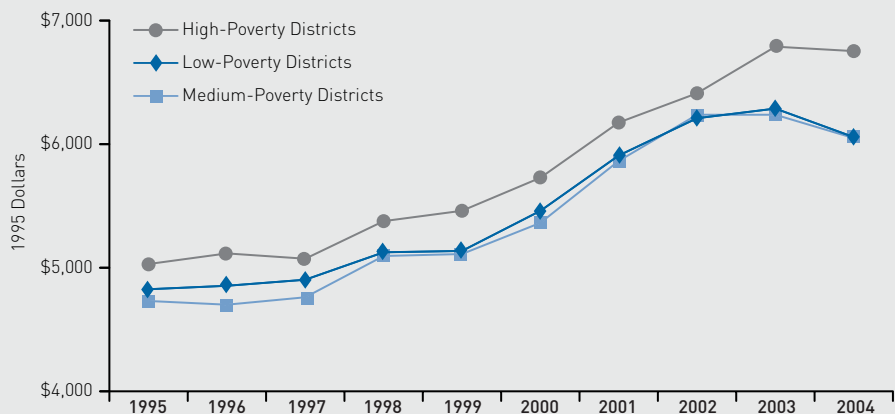
California schools have about 20.6 students per teacher and about 287 students per administrator

This study examines staffing patterns for teachers, administrators (including both district officials and school principals), and pupil services personnel (e.g., counselors and nurses), making comparisons across districts.

California students, on average, attend schools with 20.6 students per teacher, with high school district ratios approximately two students per teacher more than other districts. The variation in the ratio of administrators to students is wider. On average, districts have 287.4 students for each administrator. Districts with low percentages of poor students (based on the free/reduced-priced meals program) have significantly fewer administrators, even once the authors control for district expenditures.

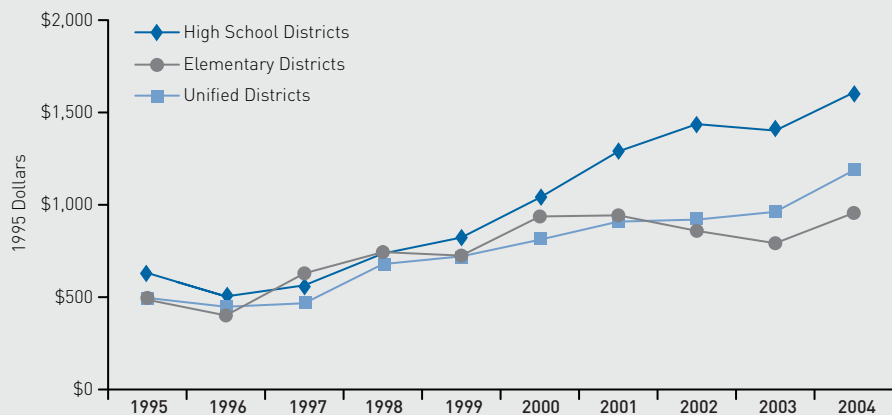
California schools have, on average, 330 students for each pupil services staff member. High school districts employ more of these staff, as do nonrural school districts.

Figure 2 • Change Over Time in Operating Expenditures per ADA by Level of Student Poverty in California Districts



Note: Operating expenditures = total spending minus capital spending.

Figure 3 • Change Over Time in Capital Expenditures per ADA by District Type



This study also examines how districts vary based on the backgrounds of their teachers. Throughout California, 92% of teachers are fully credentialed. High school districts and districts with a high proportion of poor students have lower percentages. Approximately 5% of teachers in California school districts are

long-term substitutes, while about 65% of the state's teachers have tenure, which generally means they have worked in the same district for two years or longer and are permanent employees protected under the state's due process rights. There is substantial variation across district type, with growing districts, urban

districts, and districts with high percentages of African American, Hispanic, or poor students having the lowest percentages of tenured teachers.

Spending in California has increased by 40% over a decade, including both capital and operating expenditures

Controlling for inflation, California school districts are spending approximately 40% more now than they were 10 years ago. This 10-year expenditure gain reflects increases in both operating and capital expenditures and is especially pronounced for high-poverty districts (see Figure 2) and for small districts.

Capital expenditures for such resources as buildings and equipment comprised a significant portion of the spending growth between 1995 and 2004. High school districts' capital expenditures outpace those of elementary and unified districts (see Figure 3). The same is true for low-poverty districts in comparison to those with higher poverty levels.

The increase in operating expenditures reflects growth in both instructional spending and spending on services. Both subcategories rose steadily in real terms between 1995 and 2003, with slight declines between 2003 and 2004.

Real dollars per student spent on salaries increased by roughly one-third in the same time frame. Much of that increase is attributable to instructional salaries (for teachers, aides, and other instructional staff). Administrator salaries stayed relatively stable over the same time period.

California spends less per pupil than most other states, particularly when adjusted for cost differences

This study also looks at the amount of revenues districts receive—and

from what sources—and compares that to the norms in other states. Based on fiscal year 2004, California’s districts receive a higher proportion of funds from state revenues (53.8%) and a lower proportion from local revenues (36.7%) than is the case in other states.

California generates approximately the same amount of revenue per pupil as do Texas and Florida, but it generates significantly lower revenues than New York and somewhat fewer dollars per pupil than do the remaining states.

The study makes the same types of comparisons looking at the education expenditures school districts report. When adjusted for cost differences across states, California’s spending is lower than that of Texas, Florida, New York, and the rest of the country as a whole. (See Figure 4.) However, California’s distribution of spending across broad categories is similar to that of other states.

Authors’ Conclusions

The authors find substantial variation in spending across California school districts. The causes of these spending differences are not readily apparent. Characteristics such as poverty, racial and ethnic makeup, urban status, and district grade span explain very little of the variation, though urban districts with high percentages of African American, Hispanic, or poor students spend somewhat more than other California school districts, on average. Furthermore, high school and urban districts with high proportions of African American and poor students have higher total revenues. This is not unexpected, given that California’s school finance system allocates greater restricted funds to districts with these student groups. In addition to this variation among school districts, the authors

Figure 4 • California Total Education Revenues per ADA Compared to Other States Based on Actual Dollars and Adjusted for Cost Differences

	California	New York	Texas	Florida	All Other States
Actual	\$8,831	\$14,378	\$8,331	\$8,339	\$9,461
Adjusted	\$8,831	\$15,463	\$9,879	\$10,411	\$11,507

Note: To adjust for differences in costs across states, the authors divide those states’ median earnings by median earnings in California.

Figure 5 • Staffing Ratios Across States

Variable	California (n=969 districts)	New York (n=345)	Texas (n=1,037)	Florida (n=67)	All Other States (n=10,319)
Student-to-staff Ratios					
• Students/Teacher	21.4	13.8	14.9	18.0	15.6
• Students/School Administrator	476.2	370.4	147.1	370.4	303.0
Staff-to-administrator Ratios					
• Teachers/School Administrator	22.3	27.0	9.8	20.9	19.3
• School Administrators/ District Administrator	5.1	3.5	4.0	4.0	2.3

Note: Sample sizes vary slightly based on data availability.

find that, on average, California school districts spend significantly less and receive fewer revenues than do districts in other states.

The lower spending in California manifests in lower adult-to-student ratios (see Figure 5). There are fewer teachers per student in California than in comparison states. There are also fewer school-level administrators per student and fewer district-level administrators per school-level administrators in California than in the other states. As a result of these adult-to-student ratios, California spends less on salaries than other states.

Susanna Loeb is an associate professor of education at Stanford University, where she directs the Institute for Research on Education Policy & Practice (IREPP) and codirects Policy Analysis for California Education. Her research addresses resource allocation, looking specifically at how teachers’ preferences and teacher policies affect the distribution of teaching quality across schools and how the structure of state finance systems affects the level and distribution of funds to districts and schools. She is also an associate professor of business (by courtesy) at

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This study was completed in December 2006.

Endnotes

1 Total expenditures per pupil is based on average daily attendance (ADA). This study uses the terms "per ADA" and "per pupil" interchangeably.