



# California Report

## A Detailed Look at California's Funding Policies

## California



### Funding Basics

#### Formula Type

California has a primarily student-based formula. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students considered in California's funding policy are students in certain grade levels; students from low-income households or migrant families; students who are experiencing homelessness or are in foster care; and English-language learners. Additional funding support is provided for students in districts serving high concentrations of all such students, students with disabilities, students enrolled in career and technical education (CTE) programs, and students enrolled in certain small schools.

California expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' school funding histories. Districts in California are permitted to raise and keep additional local revenues for regular district operations.

Supplemental funding for students in certain grade levels is generated through differentiated base amounts and through the application of multipliers to the base amount. Supplemental funding for students from low-income households or migrant families; students who are experiencing homelessness or are in foster care; English-language learners; and students in districts serving high concentrations of all such students is generated through the application of multipliers to the base amount. Supplemental funding for students with disabilities, students enrolled in CTE programs, and students enrolled in certain small schools is provided through program-specific allocations.

#### Base Amount

California has per-student base funding amounts that differ by grade level. For FY2021, the amounts ranged from \$7,702 to \$9,329.

This means that an average student with no special needs or disadvantages would be funded within that range. These base amounts correspond to specific grade spans even before other weights are applied, including a second layer of additional weighted funding for certain grade levels. For FY2021, students in grades K-3 had a base funding amount of \$7,702. Students in grades 4-6 had a base funding amount of \$7,818. Students in grades 7-8 had a base funding amount of \$8,050. Students in grades 9-12 had a base funding amount of \$9,329.

These base amounts are regularly adjusted for changes in the cost of living; the figures for FY2020 reflected a 3.26% cost-of-living increase from the FY2019 amounts, though no cost-of-living adjustment was made between FY2020 and FY2021.

### Local Revenue

## Expected Local Share

California expects school districts to contribute revenue to the funding of public schools. The amount each district is expected to raise is based on that district's school funding history.

Each county collects property tax at a rate of \$10.00 for every \$1,000 of assessed local property wealth. School districts receive a portion of revenue from this property tax. The portion that each district receives is based on formulas specified in a 1979 statute and varies widely from county to county. Once the state calculates the total amount of funding necessary to educate students within a district, it estimates the value of the expected local contribution, subtracts that amount, and provides the difference in the form of state education aid.

The state must contribute at least \$200 for every student to all school districts, regardless of their local ability to pay for schools. Each district must also receive at least the amount of state funding that it received in 2012-13.

## Property Tax Floors and Ceilings

California sets a level above which property tax rates require voter approval. In order to exceed a rate based on historical assessments, school districts require two-thirds voter approval.

Counties in California may impose a property tax of up to 1%, a portion of which is used for school districts. Each school district receives a share of the revenue from this tax based on its proportionate countywide share of property taxes during the mid-1970s, when this limit was put in place. School districts in California may exceed this limit by collecting property taxes set at a fixed amount per parcel of property, called parcel taxes. Parcel taxes may be levied only with the approval of two-thirds of voters.

The rate-based property tax is limited to 1% of the county assessment of the value of property on the 1975-76 tax bill or the assessed value of real property if it is newly purchased, it is newly constructed, or its ownership changed after the 1975 assessment. After a property is sold, increases in its assessed value are limited to 2% per year.

## Other Local Taxes for Education

School districts in California may receive local revenue only from property taxes. Counties may impose a property tax base on property value while school districts may levy property taxes on parcels of property.

Counties in California tax property at a fixed rate of 1% of assessed valuation. School districts may not directly levy property taxes based on property value; instead, they may levy parcel taxes, which are fees set at a fixed amount per parcel of property. These taxes may be levied with the approval of two-thirds of voters in a referendum.

## Student Characteristics

## Grade Level

California provides different levels of funding for students in different grade levels in two ways. First, the state assigns different per-student base funding amounts to four different grade spans (K-3, 4-6, 7-8, and 9-12). Then, it applies additional multipliers to these base amounts for students in two different grade spans (K-3 and 9-12).

For FY2021, students in grades K-3 had a base funding amount of \$7,702. Students in grades 4-6 had a base funding amount of \$7,818. Students in grades 7-8 had a base funding amount of \$8,050. Students in grades 9-12 had a base funding amount of \$9,329. The additional multipliers applied were 1.104 for students in grades K-3 and 1.026 for students in grades 9-12.

As a condition of receiving the supplemental weighted funds for grades K-3, districts must maintain an average class size of no more than 24 students in these grades, unless collective bargaining agreements for each school site allow otherwise. There are no conditions attached to the supplemental funding for students in grades 9-12, but this funding is intended to reflect the expenses of career and technical education for schools serving grades 9-12 schools.

## English-Language Learner

California provides increased funding for English-language learners. It does so by applying a multiplier of 1.2 to the base per-pupil amount for these students.

This multiplier is applied to a base per-pupil amount specific to the student's grade span (K-3, 4-6, 7-8, or 9-12). This same multiplier is applied to the base per-pupil amount for students from low-income households. Students who are both English-language learners and from a low-income household generate this supplemental funding allocation only once.

## Poverty

California provides increased funding for students from low-income households and for districts with high concentrations of students from low-income households. It does so by applying a multiplier of 1.2 to the base per-pupil amount for these students and providing an additional grant for districts where at least 55% of students are from low-income households or otherwise eligible for supplemental funding.

Students are eligible for supplemental funding if they qualify for free or reduced-priced lunch under the National School Lunch Program, are migrants, are homeless, are in foster care, participate in the Food Distribution Program on Indian Reservations, or are directly certified as eligible for free meals because they appear in state Supplemental Nutrition Assistance Program (known locally as CalFresh) or county welfare (CalWORKS) records.

This same multiplier is applied to the base per-pupil amount for students who are English-language learners. Students who are both English-language learners and from a low-income household generate this supplemental funding allocation only once. The grant for districts with high concentrations of students from low-income households and "at-risk" students is given in addition to the state's supplemental funding for individual students from low-income households.

## Special Education

California funds special education using a census-based system, assuming that a set percentage of students in each district will require special education services and using each district's full enrollment count to determine the amount of special education funding required.

The large majority of state special education funds are allocated based on the total enrollment of each Special Education Local Plan Area (SELPA), which are regional conglomerations of districts. Each SELPA has a unique per-pupil special education funding rate consisting of both state and federal funds, based primarily on what the SELPA received before the current funding system was adopted. Each SELPA develops a local plan to allocate funds among the districts in its region.

The remainder of state special education funding is distributed through specific program-based allocations, such as funding for mental health services for students who receive special education services, funding for students with low-incidence disabilities, funding for program specialists and regionalized services, and supplemental funds for SELPAs that are designated as small and necessary based on the number of students included and the geography of the SELPA.

## Gifted

California does not provide increased funding for gifted and talented students.

## Career and Technical Education

California provides increased funding for career and technical education (CTE) programs. It does so through two grant programs.

California provides funding for CTE through the Career Technical Education Incentive Grant program (CTEIG). There was \$150 million available for CTEIG in FY2021, with proportional local matching funds, to develop new K-12 CTE programs and maintain existing ones. The state also provides funding for CTE through the Strong Workforce Program (SWP), which is meant to support the creation and expansion of CTE pathways promote career exploration, and foster partnerships between school districts, community colleges, and business and industry. There was \$248 million available for the SWP in FY2021, with matching funds required from recipients, which may be school districts, county offices of education, charter schools, or regional occupational centers and programs.

In addition, the state provides funding at a level higher than the per-student base amount for all high school students. This funding is intended to cover the cost of CTE programs (see "Grade Level" for a description of this adjustment).

## District Characteristics

## Concentrated Poverty

California provides increased funding for districts based on the concentrations of students from low-income households that they serve. It does so by providing a grant to districts where at least 55% of students are from low-income households or are otherwise eligible for this supplemental funding, in addition to the state's supplemental funding for individual students from low-income households (see "Poverty" for more information).

California provides a grant in the amount of 65% of the per-student base amount for each eligible student in districts where at least 55% of students are from low-income households or are otherwise eligible. This funding is meant to be used to increase the number of staff members who provide direct services to students in individual schools where at least 55% of students are from low-income households or otherwise eligible, relative to the number of such staff members in schools with fewer students from low-income households or otherwise eligible students.

Students are eligible for supplemental funding if they qualify for free or reduced-priced lunch under the National School Lunch Program, are migrants, are homeless, are in foster care, participate in the Food Distribution Program on Indian Reservations, or are directly certified as eligible for free meals because they appear in state Supplemental Nutrition Assistance Program (known locally as CalFresh) or county welfare (CalWORKS) records. English-language learners are also eligible for this funding. Students who are both English-language learners and from low-income households are counted only once for the purposes of this supplemental funding allocation.

## Sparsity and/or Small Size

California provides increased funding for small schools. It does so in the form of a supplementary payment to districts with eligible schools, the amount of which varies depending on the district's enrollment and its number of teachers or certificated employees.

"Necessary small schools" are identified based on a combination of factors, including total student enrollment, grade levels served, the number of students who would have to travel a certain number of miles to the nearest public school, and any conditions that might make travel difficult.

This funding is distributed in place of, rather than in addition to, the district's base per-pupil funding.

## Charter Funding

Funding for charter schools in California is calculated based on a formula similar to the one used to calculate funding for traditional public schools.

Like traditional public schools, charter schools are funded through a student-based funding formula that considers the characteristics of students they educate. They receive funding from either the state or the local school district where they are located, including any additional funding for students in special need categories. Some types of charter schools are also eligible to apply for program-specific allocations, such as those for career and technical education.

Charter schools in California receive a share of local tax revenue. Charter schools in California also receive payments from local school districts that account for charters' inability to raise local revenue. The amount of the payments is based on districts' per-student property tax revenue or their per-student formula allocation.