

District Dollars:

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

Susanna Loeb
Jason Grissom
Katharine Strunk

Stanford University

December, 2006

This report is part of *Getting Down to Facts: A Research Project to Inform Solutions to California's Education Problems*, funded by the Bill and Melinda Gates Foundation, The William and Flora Hewlett Foundation, The James Irvine Foundation, and The Stuart Foundation. Many people have helped us on this project, especially with understanding the details of the data. We would particularly like to thank Inge Bond, Steve Lipscomb, Robert Miyashiro, Mary Perry, Isabel Oregon, Heather Rose, Jon Sonstelie, and Leanna Stiefel. All errors are our own.

Executive Summary

As the debate in California grows regarding both the sufficiency and efficient use of school funds, there is still a lack of understanding of exactly what school districts spend money on and from where they get these funds. The goal of this paper is to describe the patterns of revenues and expenditures across California's school districts, describe how spending has changed over time, and compare California to other states.

The paper defines categories of expenditures and revenues, taking as the base the existing definitions found in California's detailed accounting system, the Standardized Accounting Code Structure (SACS). The data come from the 2004-2005 school year, the most current available SACS. The paper presents averages and distributions for each of the expenditure and revenue groups, showing that:

- Despite a school finance equalization plan under which California has operated since *Serrano v. Priest* (1971), there is wide variation in spending across California school districts. Across all funds, the difference in total expenditures in a district at the 25th percentile of spending and a district at the 75th percentile of student-weighted spending is more than \$3,000 per student. Even limiting ourselves to a much more exclusive category from the general fund that we call *student spending*, the difference between the 25th and 75th percentile of student-weighted spending is more than \$1,000 per student.
- How spending is defined matters. Average total expenditures per pupil are significantly higher when examining expenditures from all funds rather than just from the general fund. The California Department of Education's (CDE) official definition of district spending relies solely on spending from the general fund. Though this fund is the largest, it accounts for only approximately 70 percent of all spending. Limiting measurement of district expenditures per pupil to the general fund under-reports actual district spending and masks major sources of variation across districts.
- K-12 salaries constitute approximately half of all expenditures and 60 percent of student spending. K-12 teachers' salaries make up approximately two-thirds of total spending on salaries. K-12 administrators' salaries comprise only nine percent of total spending on K-12 salaries.
- Employee benefits cost districts approximately 30 percent of the total cost of K-12 salaries.

The paper then assesses differences across districts in expenditures and revenues based on the grade span of the district (California districts are elementary-only districts, high school-only districts, or unified districts which span K-12), the urban status of the district, the race and ethnicity of the student population, and the proportion of students that receive free or reduced price lunch. It also compares the expenditures of a subset of districts called “Basic Aid” districts, which have a higher proportion of funds from local revenues and generally higher expenditure levels, to other districts in the state. It finds:

- Observable district demographic and organizational characteristics correlate with spending disparities across districts but are not large explanatory factors. Poverty level, racial and ethnic makeup, urban status and district grade span explain only a small portion of the variation in spending.
- Overall, urban districts and districts with high percentages of black, Hispanic or poor students spend more than other districts.
- Urban districts and districts with high percentages of students enrolled in the free or reduced price lunch program spend more on salaries (per-student) than do other districts.
- Districts with the highest proportion of black, Hispanic or poor students spend the most on special education overall and the highest percent of special education spending on severely disabled students.
- Urban districts, high school districts and districts with high proportions of black students or students in poverty have higher overall revenues than do other districts. These higher revenues are driven almost exclusively by greater restricted revenues.
- Although some California districts are exempt from the standard school finance structure (the “Basic Aid” districts), allowing them to have more unrestricted funds than most districts and giving them more control over their revenues, these districts do not show particularly different spending patterns from the rest of California school districts.

Next, the paper combines the SACS data with personnel data from the California Basic Educational Data System (CBEDS) to analyze the pupil-teacher, pupil-administrator, pupil-pupil services personnel, and pupil-“other full-time” and “other part-time” personnel ratios. It also examines how districts vary by the percent of teachers who are fully credentialed, the percent of teachers in the districts who are long-term substitutes, the percent of teachers who have tenure, the mean teaching experience of teachers and mean district teaching experience of teachers within the districts, and the percent of district teachers who are certificated to teach special education. It finds:

- California students, on average, attend schools with 20.57 students per teacher, with high school district ratios at approximately two students per teacher more than other districts.
- There is wider variation in the ratio of administrators to students between district types than in teachers to students. On average overall, districts have 287.4 students for each one administrator. There are significantly fewer administrators in districts with low percentages of students on the free/ reduced-price lunch program, even once we control for district expenditures.
- On average, one pupil services personnel services 330 students in California schools. High school districts employ more of these staff, as do non-rural school districts.
- Ninety-two percent of teachers in California districts are fully credentialed, with lower rates in high school districts and in districts with a high proportion of students on free or reduced price lunch. Approximately five percent of teachers in California districts are long-term substitutes.
- Approximately 65 percent of California's teachers have tenure. There is substantial variation across district type, with growing districts, urban districts and districts with high percentages of black, Hispanic or poor students having the lowest fractions.

The paper then describes California's spending patterns over the last decade and compares revenues and expenditures in California with those of Florida, New York, Texas and the rest of the United States. It uses information from the Common Core of Data (CCD), which is not as detailed as the California reporting system but allows comparisons over time and throughout the country. It finds:

- Controlling for inflation, California school districts are spending approximately 40 percent more now than they were ten years ago. This ten-year expenditure gain is especially pronounced for high poverty and small districts.
- California's districts receive a higher proportion of funds from state revenues and a lower proportion from local revenue than do other states.
- Although California generates approximately the same amount of revenue per pupil as do Texas and Florida, it generates significantly lower revenues than New York and somewhat fewer dollars per pupil than do the remaining states.
- 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. However, California's distribution of spending across broad categories is similar to those of other states.

- The lower spending in California manifests in lower adult to student ratios. 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 administrator in California than in the other states.
- California spends less on salaries than other states. This is driven by lower adult to student ratios. In particular, the number of teachers per student is lower in California, as are the number of school administrators per student and the number of district administrators per school administrator.

Introduction

As the debate in California grows regarding both the sufficiency and efficient use of school funds, there is still a lack of understanding of exactly what school districts spend money on and from where they get these funds. The goal of this paper is to describe the patterns of revenues and expenditures across California's school districts, describe how spending has changed over time, and compare California to other states.

The paper begins, in Section I, by defining categories of expenditures and revenues, taking as the base the existing definitions found in California's detailed accounting system, the Standardized Accounting Code Structure (SACS). The extent of detail in SACS, especially for expenditures, is unwieldy for describing patterns, and thus we need to be precise in how we define each category. The data come from the 2004-2005 school year, the most current available SACS. The paper presents averages and distributions for each of the expenditure and revenue groups defined, showing that:

- Despite a school finance equalization plan under which California has operated since *Serrano v. Priest* (1971), there is wide variation in spending across California school districts. Across all funds, the difference in total expenditures in a district at the 25th percentile of spending and a district at the 75th percentile of student-weighted spending is more than \$3,000 per student. Even limiting ourselves to a much more exclusive category from the general fund that we call *student spending*, the difference between the 25th and 75th percentile of student-weighted spending is more than \$1,000 per student.
- How spending is defined matters. Average total expenditures per pupil are significantly higher when examining expenditures from all funds rather than just from the general fund. The California Department of Education's (CDE) official definition of district spending relies solely on spending from the general fund. Though this fund is the largest, it accounts for only approximately 70 percent of all spending. Limiting measurement of district expenditures per pupil to the general fund under-reports actual district spending and masks major sources of variation across districts.
- K-12 salaries constitute approximately half of all expenditures and 60 percent of student spending. K-12 teachers' salaries make up approximately two-thirds of total spending on salaries. K-12 administrators' salaries comprise only nine percent of total spending on K-12 salaries.
- Employee benefits cost districts approximately 30 percent of the total cost of K-12 salaries.

The second section of the paper assesses differences across districts in expenditures and revenues based on the grade span of the district (California districts are elementary-only districts, high school-only districts, or unified districts which span K-12), the urban status of the district, the race and ethnicity of the student population, and the proportion of students that receive free or reduced price lunch. It also compares the expenditures of a subset of districts called “Basic Aid” districts, which have a higher proportion of funds from local revenues and generally higher expenditure levels, to other districts in the state. It finds:

- Observable district demographic and organizational characteristics correlate with spending disparities across districts but are not large explanatory factors. Poverty level, racial and ethnic makeup, urban status and district grade span explain only a small portion of the variation in spending.
- Overall, urban districts and districts with high percentages of black, Hispanic or poor students spend more than other districts.
- Urban districts and districts with high percentages and students enrolled in the free or reduced price lunch program spend more on salaries (per-student) than do other districts.
- Districts with the highest proportion of black, Hispanic or poor students spend the most on special education overall and the highest percent of special education spending on severely disabled students.
- Urban districts, high school districts and districts with high proportions of black students or students in poverty have higher overall revenues than do other districts. These higher revenues are driven almost exclusively by greater restricted revenues.
- Although some California districts are exempt from the standard school finance structure (the “Basic Aid” districts), allowing them to have more unrestricted funds than most districts and giving them more control over their revenues, these districts do not show particularly different spending patterns from the rest of California school districts.

The third section of the paper combines the SACS data with personnel data from the California Basic Educational Data System (CBEDS) to analyze the pupil-teacher, pupil-administrator, pupil-pupil services personnel, and pupil-“other full-time” and “other part-time” personnel ratios. It also examines how districts vary by the percent of teachers who are fully credentialed, the percent of teachers in the districts who are long-term substitutes, the percent of teachers who have tenure, the mean teaching experience of teachers and mean district teaching

experience of teachers within the districts, and the percent of district teachers who are certificated to teach special education. It finds:

- California students, on average, attend schools with 20.57 students per teacher, with high school district ratios at approximately two students per teacher more than other districts.
- There is wider variation in the ratio of administrators to students between district types than in teachers to students. On average overall, districts have 287.4 students for each one administrator. There are significantly fewer administrators in districts with low percentages of students on the free/ reduced-price lunch program, even once we control for district expenditures.
- On average, one pupil services personnel services 330 students in California schools. High school districts employ more of these staff, as do non-rural school districts.
- Ninety-two percent of teachers in California districts are fully credentialed, with lower rates in high school districts and in districts with a high proportion of students on free or reduced price lunch. Approximately five percent of teachers in California districts are long-term substitutes.
- Approximately 65 percent of California's teachers have tenure. There is substantial variation across district type, with growing districts, urban districts and districts with high percentages of black, Hispanic or poor students having the lowest fractions.

The fourth and fifth sections of the paper describe California's spending patterns over the last decade and compare revenues and expenditures in California with those of Florida, New York, Texas and the rest of the United States. It uses information from the Common Core of Data (CCD), which is not as detailed as the California reporting system but allows comparisons throughout the country and over time. They find:

- Controlling for inflation, California school districts are spending approximately 40 percent more now than they were ten years ago. This ten-year expenditure gain is especially pronounced for high poverty and small districts.
- California's districts receive a higher proportion of funds from state revenues and a lower proportion from local revenue than do other states.
- Although California generates approximately the same amount of revenue per pupil as do Texas and Florida, it generates significantly lower revenues than New York and somewhat fewer dollars per pupil than do the remaining states.

- 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. However, California's distribution of spending across broad categories is similar to those of other states.
- The lower spending in California manifests in lower adult to student ratios. 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 administrator in California than in the other states.
- California spends less on salaries than other states and this is driven by lower adult to student ratios. In particular, the number of teachers per student is lower in California, as are the number of school administrators per student and the number of district administrators per school administrator.

Section I: Defining the Categories for Expenditures and Revenues

California school finances and the accounting data that describe them are quite complex. Analyzing school district expenditures and revenues requires us to break them into meaningful categories. Unfortunately, defining those categories and being precise about what they contain are somewhat laborious processes but necessary ones for getting an accurate picture of the money flowing in and out of California's school districts. We have attempted to streamline these descriptions as much as possible in order to make them accessible to the reader but acknowledge that the complexity that remains may be difficult to digest. We begin in subsection IA by describing expenditures, which contains a relatively greater level of detail than the descriptions of revenue categories in subsection IB.

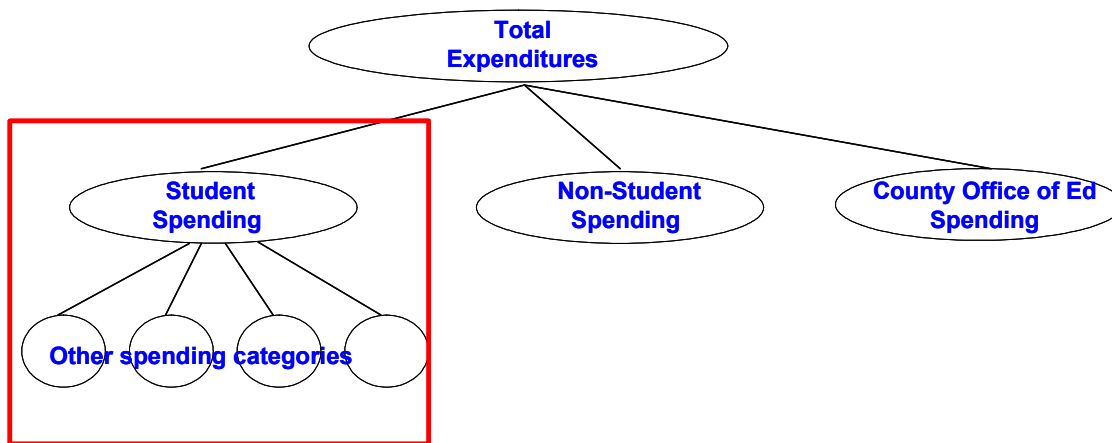
The data that forms the basis of our analysis comes from the California Department of Education's (CDE) Standardized Account Code Structure (SACS) for the 2004-2005 school year. The SACS data is incredibly detailed. School districts, county offices of education (COE) and joint powers authorities (JPAs) all are required to use the SACS system for financial reporting. The data set is especially useful because, as the name implies, it employs a standardized code structure for monetary accounts that allows analysts to group revenues and expenditures into comparable categories with a good deal of specificity. The data are, however, not audited and may not perfectly reflect revenues and expenditures. Also, because the use of SACS has only been required for two academic years, there are some concerns about the accuracy of LEA reporting. Nevertheless, these data are the best available source of information on California school finances.

SACS relies primarily on five codes to group revenues and expenditures, called *funds*, *resources*, *functions*, *goals* and *objects*. We will refer to these codes below, so some detail is useful. *Fund codes* are self-balancing sets of accounts tied to specific district purposes or reporting requirements. We use this code to make the distinction between expenditures from all accounts and expenditures from the general fund only (the general fund covers about two-thirds of spending for most districts). *Resource codes* tie accounts to specific reporting requirements and apply mostly to revenues. We use this code to identify revenues as restricted or unrestricted, to discern from what level of government they originate and to make other characterizations. *Function*, *goal* and *object codes* each provide alternative classification schemes for revenues and expenditures, linking them to various activities, objectives, goods or services. Further information and examples of how these codes are combined are available from the online *California School Accounting Manual* (CSAM).

IA. Expenditures

A useful way to conceptualize California school expenditures is as a hierarchy with total expenditures at the top. The next level divides total expenditures into broad categories such as student and non-student spending, and then subsequent levels break those categories into finer, more specific subcategories. Figure 1 shows this hierarchy graphically. This subsection defines these categories and subcategories so that we can quantify them, examine how much they vary, and, later in the paper, tie them to other district characteristics.

Figure 1: The Structure of Our Expenditure Analyses



We proceed as follows. We begin by defining total expenditures with special attention to spending by County Offices of Education (COEs) and Special Education Local Plan Areas (SELPA). We then differentiate total expenditures into money spent more and less directly on students. Finally, we turn to further differentiating the former by dividing *student spending* into meaningful subcategories (teacher salaries, textbooks or vocational education, for example). The discussion also recognizes that how we define total expenditures—that is, whether we include all funds or limit ourselves to the general fund only—affects our conclusions about the size and variation of all of the other categories, and we pay special attention to pointing out those differences so that we get the most complete picture of California’s education spending. Table 1 gives an abbreviated illustration of the structure of the relationships among these categories, subcategories and expenditure definitions, which we develop more fully on the following pages.

Table 1: The Relationships Among California School Expenditure Category Definitions

	All Funds (Definition 1) Student-Weighted Mean	General Fund Only (Definition 2) Student-Weighted Mean
Total Expenditures	10,593	7,384
Non-Student Spending	2,519	247
PreK/Adult Spending	187	11
Capital Spending	1,657	54
Debt Services	489	18
Retiree Benefits	86	80
Non-Agency/Community Services	79	65
PERS Reduction	21	19
Student Spending	8,074	7,137
*** <i>Subcategories not exhaustive</i>		
Salaries	4,943	4,754
<i>Teacher</i>	3,112	3,073
<i>Administrative</i>	424	403
Special Education	1,035	1,032
<i>Severe</i>	338	338
<i>Non-Severe</i>	509	507
Bilingual Education	64	63
Pupil Services	752	681
<i>Maintenance</i>	493	478
<i>Facilities</i>	32	22

Defining Total Expenditures

The first step is to define total expenditures, which forms the base for other calculations. In fact, we create two definitions. The first, Definition 1, defines total expenditures as all SACS outgo (defined by objects 1000-7999) except:

- Tuition
- Transfers to Other Districts
- Transfers to Charter in Lieu of Property Taxes
- Inter-fund Transfers
- Transfers to County Offices of Education

These excluded categories are primarily transfers of funds that will be accounted for elsewhere and thus should be taken out to avoid double-counting. The second, Definition 2, takes total expenditures under Definition 1 and makes the additional exclusion of all funds except the General Fund (funds 1, 3 and 6 in SACS). Most California Department of Education (CDE) finance calculations, including official cost of education figures, include only spending from the general fund. Table 2 gives further detail about these total expenditures definitions.

Table 2: Total Expenditures Definitions

	Definition 1: All Funds	Definition 2: General Fund Only
<i>Excludes:</i>		
Tuition	objects 7100-7199	Funds and ADA counts both follow students to different districts/ counties, etc. Including tuition, then, would double count.
Transfers to Other Districts	objects 7211, 7221, 7281	Spending is counted in the receiving district
Transfers to Charters in Lieu of Property Taxes	object 7280	Spending is counted by charter
Interfund Transfers	objects 7600-7629	Spending is counted in receiving fund
Transfers to County Offices of Education (COEs)	objects 7212, 7222, 7282	COE spending is taken into account elsewhere (shows up on COE financial statements)

Because the general fund is a subset of all funds, general fund figures are lower than their all-fund counterparts. The tables below present calculations both for all funds and for the general fund to provide a more complete picture of expenditures in California schools. However, we focus most of our attention on the results for all funds because they better capture the full set of resources available to districts. Typically we report numbers in dollars per average daily attendance (ADA).¹

Both total expenditures definitions are based on SACS expenditure entries recorded by school districts. Two additional entities make expenditures on behalf of students that should be included for an accurate picture of total school spending: County Offices of Education (COEs), which provide administrative, instructional and other services to all districts in a given county, and Special Education Local Plan Areas (SELPA), which are special education oversight and implementation entities that usually administer special education programs to more than one district. It is not clear how best to attribute spending by these organizations to their affiliated districts. The strategy we employ is to exclude all transfers to COEs and all special education spending from district expenditures but then to add back average per student spending by the affiliated COE and average per student special education spending for all districts associated with a given SELPA.

Starting with the two definitions of total expenditures described in Table 2, we calculate four variations based on whether or not COE and SELPA spending are prorated. Table 3 shows these totals. The first line, labeled “Total Expenditures,” follows the exclusion rules described above, allowing special education spending to be determined at the district level and not including COE spending.² The second line (“SELPA Prorated”) sums all special education spending to the SELPA

¹ For the purposes of this report the terms “per ADA,” “per pupil,” and “per student” are used interchangeably. ADA figures are provided by the California Department of Education.

² This first definition of total expenditures assumes that the money spent on special education programs in a particular district is the same as the money labeled as “special education” in that district’s accounts. However, because of the way that special education programs in California are managed, this assumption may create distortions. That is, special education programs are typically overseen by SELPAs which “pool” special education money from the districts and then

level, and redistributes it on an ADA-basis to each of the districts in the SELPA.³ Line three excludes all transfers to COEs at the district-level and then adds in COE expenditures on a per-countywide ADA basis (“COE Prorated”). The fourth line includes both the SELPA adjustment and the COE adjustment. The numbers in Table 3 are weighted by the number of students in a district (ADA) so that they weight each student in the state equally instead of each district equally. Appendix A gives district-weighted statistics as well as additional statistics (such as standard deviations, minimums and maximums).

Table 3: Average Total Expenditures per ADA (Student Weighted)

	Definition 1 / All Funds				Definition 2 / General Fund			
	Mean	25 th %tile	Median	75 th %tile	Mean	25 th %tile	Median	75 th %tile
Total Expenditure	10,593	8,795	10,075	11,918	7,384	6,749	7,165	7,994
SELPA Prorated	10,593	8,792	10,075	11,953	7,384	6,753	7,159	7,985
COE Prorated	11,215	9,370	10,747	12,686	7,916	7,194	7,700	8,558
SELPA and COE	11,215	9,417	10,732	12,686	7,916	7,194	7,700	7,683

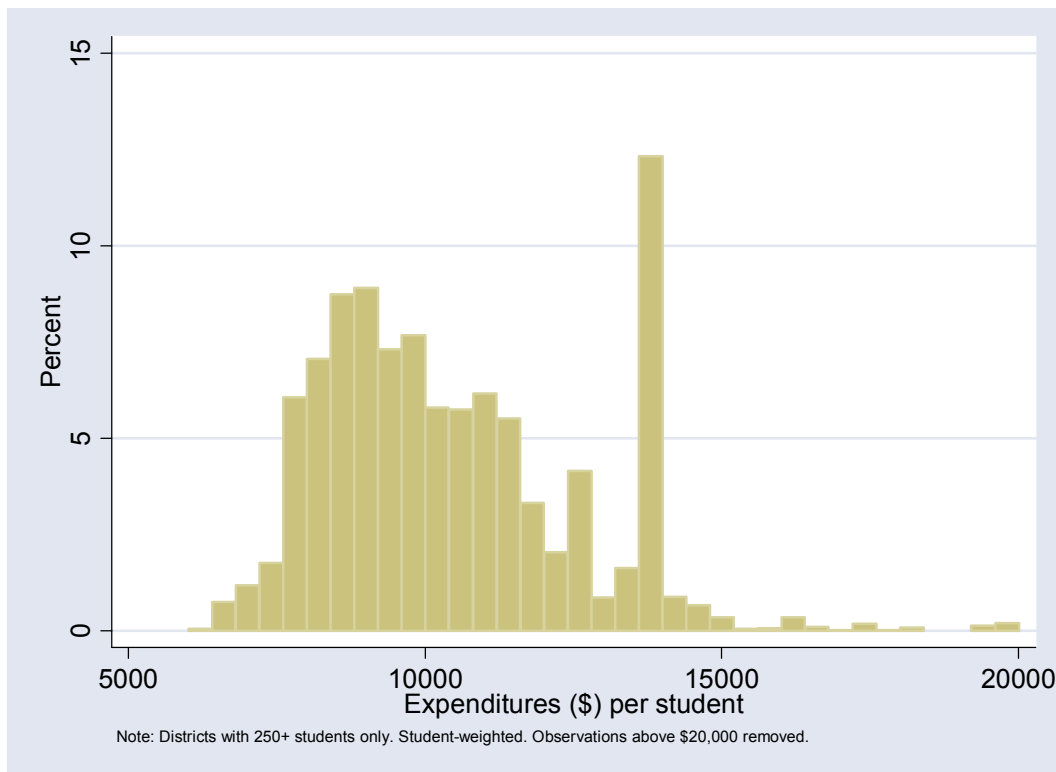
The more restrictive Definition 2 (General Fund only) gives average total expenditures of \$7,380 per pupil. This definition of total expenditures is similar to that used in CDE reports on school spending. Under the more inclusive Definition 1, which considers spending from funds besides the General Fund, expenditures are significantly higher: \$10,586 per pupil. Much of this \$3,206 difference comes from expenditures on capital, which are excluded by Definition 2 because they are not made from the General Fund.

Collecting special education spending at the SELPA level and redistributing it back to the districts on a SELPA-ADA basis does not change our total expenditures. This is because, as described above, it simply removes special education spending from the total expenditures at the district level and reapportions them to the SELPA level. Therefore, the adjustment does not add funds overall but simply redistributes them across districts. However, the COE adjustment does increase total spending figures across the definitions (\$629 in Definition 1). This is a result of the exclusion of COE spending in the first total expenditures definition.

redistribute it in the form of specific special education programs such that what a district contributes and what a district receives may not be equal.

³ To calculate a SELPA-wide per-student estimate of special education spending, we sum up the special education spending for all districts in each SELPA and then divide that sum by the total number of students in the SELPA. We thus proceed under the assumption that SELPAs allocate special education money equally over all students in all districts within the SELPA, regardless of how much each district contributes. As a simplification, we perform this calculation only for monies identified as special education within student spending. That is, we define Special Education Spending to include only spending that occurs within the student spending category (as examined above) and ignore any non-student money (capital outlay, retiree benefits, etc.) that may be tagged with special education codes. Doing so allows us to adjust our estimates of student spending and total spending in a straightforward way.

Figure 2: The Distribution of Total Expenditures



Note that everywhere in Table 3 the median expenditure is less than the mean expenditure – by approximately \$500 under Definition 1 and \$200 under Definition 2. This difference between the median and the mean is due largely to a few very high spending districts, most of which are quite small. The analyses below limit the sample to districts with 250 or more students to avoid these large outliers; but even within that group total spending ranges from \$6,000 to approximately \$30,000 per student (see Appendix A, Tables A1 and A2). Still, the variation across districts is not solely due to outliers. In fact, there is quite substantial variation in spending across districts. One quarter of California’s students are in districts that spend more than \$11,918 per pupil (\$7,994 under Definition 2), while another quarter attend districts that spend less than \$8,795 (\$6,749 under Definition 2). Figure 2 illustrates the distribution of total expenditures under Definition 1. We see that most students are in districts with total spending between \$8000 and \$11,000 per student but that some districts spend substantially more. The large spike in the graph represents the Los Angeles Unified District, which spends approximately 14 percent of all California Education dollars.⁴

While Table 3 provides summaries of total expenditures that take COE (and SELPA) spending into account, SACS does provide more detailed expenditure information for COEs that allow us to look at them more closely. Table 4 provides information on COE spending separately.

⁴ Figures 2 and 3 are student weighted; comparable district-weighted histograms (in which LAUSD counts as just one observation) are given in Appendix A3.

Table 4: Select County Office of Education Spending Categories

	Definition 1				Definition 2			
	Mean	25 th %tile	Median	75 th %tile	Mean	25 th %tile	Median	75 th %tile
Total Expenditure	629	399	422	683	536	382	404	620
Student Spending	466	243	357	545	438	233	342	524
Administrative	178	107	149	213	165	106	141	212
Instructional	119	78	120	122	104	73	108	119
Special Education	126	50	67	165	126	50	67	165

On average, County Offices of Educations spend \$629 per pupil (\$536 using only the general fund). This amount is quite large when compared to mean total spending across districts.⁵ We see that COEs spend the largest proportion of their money on students but also spend significant amounts on special education and administration. It is important to note the large variation within the COE spending categories. For example, one quarter of students are in counties with less than \$243 per student of COE spending while another quarter attend districts in counties with more than \$545 in COE spending per pupil. Similarly, the large difference between the median and the mean spending indicates that there are a number of quite high spending COEs.

Defining Student and Non-Student Spending

Separating total expenditures into *student* and *non-student* spending allows a more precise reckoning of expenditures across districts. The broad category that we call *student spending* parallels the California Department of Education’s (CDE) definition of Current Expense of Education per ADA. Non-student spending includes the other components of total expenditures. In particular, non-student spending includes the following spending areas while student spending includes all total expenditure except the following:⁶

- Debt Service
- Capital Outlay and Facilities
- Non-Agency and Community Services
- Spending on Programs for Infants, Pre-K, and Adults
- Retiree Benefits, and
- PERS Reductions

⁵ While the amount is significant in total and per-ADA terms, and thus should be examined and potentially included in cost of education measures, the allocation of money at the COE level makes our prorating of funds in Table 3 potentially questionable. For example, one common function of COEs is to provide administrative assistance for small school districts, particularly for finance and accounting. Thus it likely spends a disproportionate amount of its administrative budget in small districts, and calculating a county-wide per-student administration spending number at the COE level and “distributing” it to districts might distort real patterns in district spending. Unfortunately, SACS does not allow us to track in what district COEs spend money for specific line items.

⁶ Note: Debt Service is SACS objects 7430-7439; Capital Outlay and Facilities is function 8500 and objects 6000-6499; Non-Agency and Community Services is goal 7100-7199 and 8100 and function 5000-5999; Spending on Programs for Infants, Pre-K, and Adults is goal 0001-0999, 4000-4749, and 5710; Retiree Benefits is objects 3701-3702, and PERS Reductions is objects 3800-3899.

Student spending thus includes such line items as teacher salaries, materials and supplies, special education resources, counseling and psychological services and plant maintenance—spending more integral to student experiences in California schools. Table 5 gives descriptive statistics for the student spending category and the various non-student spending categories.

Table 5: Student and Non-Student Spending per ADA (Student Weighted)

	Definition 1 / All Funds				Definition 2 / General Fund			
	Mean	25 th %tile	Median	75 th %tile	Mean	25 th %tile	Median	75 th %tile
Total Expenditure	10,593	8,795	10,075	11,918	7,384	6,749	7,165	7,994
Student Spending	8,074	7,178	7,739	8,814	7,137	6,601	6,925	7,683
Non-Student Spending	2519	1017	2090	3292	247	51	159	330
<i>PreK/ Adult Spending</i>	187	37	148	128	11	0	2	13
<i>Capital Spending</i>	1657	757	1,477	2220	54	14	33	77
<i>Debt Services</i>	489	179	339	702	18	0	9	24
<i>Retiree Benefits</i>	86	13	45	115	80	12	44	113
<i>Non-Agency Com. Service</i>	79	13	60	102	65	9	52	81
<i>PERS Reduction</i>	21	18	21	25	19	16	19	22

Examining the non-student spending categories first, we find that spending on capital outlay and facilities and on debt services are the largest non-student spending categories for districts, with average per pupil expenditures of \$1,657 and \$489 respectively. These monies come largely from funds other than the general fund, as seen by the fact that spending in these areas are only \$54 and \$18 under Definition 2. Districts also spend substantial dollars on Infants, Pre-Kindergarten and Adult education (\$187 per student on average), but, again these come mostly from funds other than the general fund.

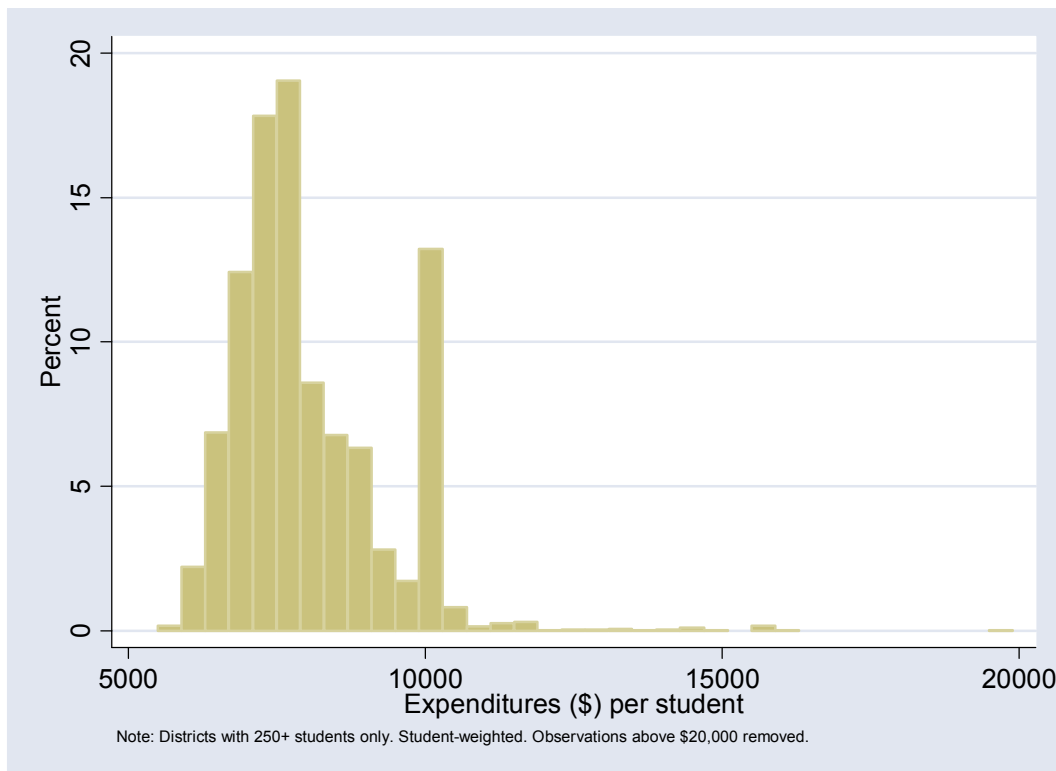
Mean current district spending on retiree benefits is small, at only \$86 per ADA, though there are a few large outliers. However, drastic changes are anticipated in the coming years. Many California school districts have contractually promised their teachers generous health and welfare benefits upon retirement, generating a future liability. Yet, many of these districts employ a “pay-as-you-go” approach, in which they simply pay for retiree benefits as retirees draw them, as opposed to putting funds away as they guarantee future benefits, creating unfunded actuarial accrued liabilities. As more and more teachers retire with these generous retirement benefit packages, districts will be forced to pay for these benefits out of their budgets. Many districts have not put sufficient funds away to cover these future expenses. Government Accounting Standards Board (GASB) Statement 45, which requires school districts to account for the health and welfare benefits promised to retirees in exchange for current services rendered, begins taking effect for the largest school districts in

Fiscal Year 2007-2008. When this occurs, districts will be forced to record the size of their unfunded liabilities.

Student spending is significantly larger than non-student spending. Using all funds (Definition 1), we calculate student spending to be \$8,074 (student-weighted), or \$7,137 using only the General Fund. Median expenditures are \$7,739 and \$6,925 when using all funds and only the general fund, respectively. Under Definition 1, student spending makes up 76 percent of total expenditures. Our calculation of total student expenditures is slightly higher (only \$10 per pupil) than that of the CDE which estimated an official “Current Expense of Education” student-weighted statewide mean of \$7,127 for 2004-05 based on expenditures from the general fund.

Figure 3 shows the distribution of student spending across California districts. The large spike around \$10,000 is again Los Angeles Unified. Comparing Figure 3 to Figure 2, it is obvious that limiting our analysis to student spending hides a great deal of variation in district spending. Student spending totals are much more tightly clustered.

Figure 3: The Distribution of Student Expenditures



Defining Subcategories of Student Spending

Examining total, student and non-student expenditures is informative, but SACS allows a much greater level of detail. SACS provides expenditure account information by object code, goal code and function code. *Object codes* delineate “types of items purchased or services obtained.” *Goal*

codes define objectives or sets of objectives for the district; and *function codes* describe activities or services performed in order to accomplish a specific goal code. Because of these multiple definitions, we have the opportunity to classify spending in multiple ways. We look at all the larger expenditure categories defined by SACS, and then we split some of these larger groups into more specific categories using each of the three coding systems separately.⁷ These are usually not complete breakdowns of the larger categories, but instead pull out those categories that we believe are the most interesting subsets of spending. Tables 6-8 provide summary statistics for these subcategories of student spending, using Definition 1 (all funds).⁸

Defining Subcategories using Object Codes: Table 6 gives subcategories of student expenditures defined using object codes. The first area that we look at is ***General K-12 Salaries***. This category sums all salary expenditures, including both certificated and classified personnel salaries.⁹ This totals \$4,943 on average, with a median of \$4,847. There is some variation in spending on general K-12 salaries, with an inter-quartile range (IQR) of \$751 per ADA and a standard deviation of \$805 per ADA (not shown). On average, expenditures on general K-12 salaries make up approximately half of all expenditures, and approximately 60 percent of all student spending from all funds. It appears that only about \$200, on average, of salary expenditures comes from funds other than the general fund, as the general fund mean is \$4,754 per ADA.

General K-12 Salaries can be broken down further into teacher salaries, administrator salaries and salaries of other certificated and classified personnel. *K-12 Teacher Salaries* comprise the bulk of all salaries. This is the full-time, part-time and prorated portions of salaries for all certificated personnel who are employed to teach district students or students in schools maintained by the county superintendent of schools. It includes teachers employed in homes, hospitals, all special education resource specialists and teachers, substitutes, etc. On average, expenditures on K-12 teachers' salaries make up approximately 63% of all General K-12 salary expenditures. On average districts spend \$3,113 per pupil on K-12 teacher salaries. Most districts spend approximately this much, with a difference between the 25th and 75th percentile of only \$357.

⁷ We also generated some cross-calculations using multiple code types. The results are consistent with the other results presented in the report and are available from the authors upon request.

⁸ The figures in this table include expenditures from all funds. For similar statistics limited to the general fund as well as more detailed descriptive statistics, see Tables A4 through A7 in Appendix A.

⁹ Certificated personnel are those who are required by the state to hold some type of teaching credentials. This includes full-time, part-time, substitute and temporary teachers, as well as most administrators. Classified personnel are those school employees who are not required to hold teaching credentials, including custodians, instructional aides, secretaries, and some management personnel.

Table 6: Summary Statistics of Expenditure Subcategories Using Object Codes, All Funds

	Object Codes	Mean	25th %ile	Median	75th %ile
Salaries	1000-2999	\$4,943	\$4,529	\$4,847	\$5,281
Teacher Salaries	1100	3,112	2,907	3,080	3,264
Admin Salaries	1300, 2300	424	359	420	458
Other Certificated Salaries	1000-1999	273	180	245	365
Other Classified Salaries	2000-2999	1,134	993	1,111	1,280
Employee Benefits	3000-3999	1,409	1,225	1,378	1,539
Current Health and Welfare, Certificated	3401	417	353	422	491
Current Health and Welfare, Classified	3402	220	162	198	251
Retirement Benefits	3101-3102, 3201-3202	416	377	406	445
<i>Certificated Retirement Benefits</i>	3101, 3201	303	280	296	323
<i>Classified Retirement Benefits</i>	3102, 3202	113	95	107	136
Books & Supplies	4000 – 4999	527	413	500	662
Textbooks	4100	59	39	58	70
Other Books & Supplies	4000-4999, not 4100	467	358	447	593
Services & Other Operating Exps	5000-5999	1,129	663	871	1,493
Consulting and Operating	5800	751	318	506	1,031
Equipment Replacement	6500	5	0	0	3

K-12 Administrator and Supervisor Salaries includes the full time, part-time, and any prorated portions of salaries of principals, vice principals, administrative deans and other personnel performing similar duties, as well as certificated personnel engaged in instructional supervision (including consultants), their certificated assistants, and superintendents and/or deputy/associate superintendents. It also includes salaries of supervisory personnel who are business managers, controllers, directors, chief accountants, supervisors, purchasing agents, site administrators, assistant superintendents, and superintendents, plus stipends for board and personnel commission members. On average California spends \$424 per student on these salaries, approximately nine percent of total salary expenditures and only 14 percent of average spending on teachers' salaries.

Districts also fund other certificated and classified personnel. *Other K-12 Certificated Personnel Salaries* average \$273 per student. These staff members include librarians, social workers, psychologists and other personnel whose positions require a credential or permit issued by the Commission on Teacher Credentialing. Some districts spend substantially more, and some, especially small districts, substantially less, but, as expected all districts spend relatively little on these salaries compared to their spending on teachers'. On average districts spend more on *Other K-12 Classified Personnel Salaries*, \$1,134 per student. This category includes instructional aides' salaries; classified

support salaries; clerical, technical and office staff salaries; and other classified salaries. There is little variation in this spending with an inter-quartile range of only \$287.

SACS allows us to look in detail at expenditures on **Employee Benefits**, including:

- State Teachers' Retirement System (STRS) Benefits for classified and certificated positions
- Public Employees' Retirement System (PERS) Benefits for classified and certificated positions
- Old Age, Survivor, and Disability Benefits (OASDI)/ Medicare/ Alternative for classified and certificated positions (these are benefits under social security system or alternative retirement plans if employees are not covered by social security)
- Health and Welfare benefits (insurance) for classified and certificated positions
- State unemployment insurance for classified and certificated positions
- Workers' compensation insurance for classified and certificated positions
- Other benefits, classified and certificated positions

With an average of \$1,409 per ADA, employee benefits cost districts, almost 30% of the cost of K-12 salaries.

We subdivide the Benefits category into benefits for health and welfare benefits and retirement benefits. These benefits are for current personnel. We excluded benefits for retirees from the student spending category. Table 5 shows that retiree benefits average only \$86 per pupil currently, though there is concern that these numbers are likely to escalate in the future.

The calculation of health and welfare benefits exclude employee contributions, but include benefits transferred to a self-insurance fund. We see that districts spend an average of \$417/ADA on *Health and Welfare Benefits for Certificated Personnel*, and \$220/ADA on *Health and Welfare Benefits for Classified Personnel*. There are some very low and very high outliers, with minimum spending values of \$0, and maximum values in the multiple thousands of dollars (see Appendix A). However, the inter-quartile range is only \$148.

Retirement Benefits, for Certificated and Classified Personnel include PERS and STRS benefits. Districts spend, on average, almost three times as much on retirement benefits for certificated personal (\$303/ADA) than for classified personnel (\$113/ADA), for a total of \$416/ADA. The total currently spent on retirement benefits is approximately equal to the spending on health and welfare benefits for current certificated personnel.

On average, California spends approximately \$527 per student on **Books and Supplies**. Of this, only \$59 per student is spent on *Textbooks*, "approved textbooks and core curricula materials." This captures expenditures for classroom instructional materials for teachers' and students' use in basic curriculum for required subject matter including texts, technology-based materials, and other educational materials such as manipulatives. There is little variation between districts, with the inter-quartile range at only \$31/ADA. The remainder of this category, *Other Books, Materials and Supplies*,

includes “consumable materials and supplies to be used by students, teachers, and other personnel,” such as books and other reference materials; materials and supplies; non-capitalized equipment; and food. Districts can code the purchase of library books to this code, unless they are for a *new* school library. California spends an average of \$467 per student in this area.

Another area of student spending is ***Services and Other Operating Expenditures***. Services include travel and conferences; dues and memberships; insurance; operations and housekeeping services; rentals, leases, repairs, and non-capitalized improvements; transfers of direct costs; professional/consulting services and operating expenditures; and communications. It includes payments for pupil transportation made to common carriers or to parents in lieu of transportation, and “expenditures to nonpublic, nonsectarian schools for the education of exceptional children for whom appropriate services are neither available nor can be provided.” California spends an average of \$1,129/ADA. There is considerable variation in this subcategory, as well, with an IQR of \$830/ADA. A median of \$871 indicates that some districts spend quite a lot on this category, as might be expected given that districts make differential use of transportation services and alternative schools.

From this larger category, we pull out *professional consulting services and operating expenditures*, which include any expenditures for personnel services for people not on the LEA payroll. This includes professional/consulting services that are delivered by independent contractors paid on a fee basis for specialized services (usually temporary or short term). It may include professional development, accounting or a wide variety of other services. Interestingly, districts, on average, spend about two-thirds of their total expenditures on “services and operating expenditures” on professional consulting and other operating expenditures, with a mean spend of \$751/ADA and median of \$506/ADA, and a district -weighted median of \$451/ADA. This, and the high IQR of \$830/ADA, indicates that there is likely a wide variation in spending on this category, with some high-spending outliers.

The final area of student spending that we examine is ***Equipment Replacement***. This comes from the larger Capital Outlay category. We exclude most of capital outlay from our broad “student” definition, but Equipment Replacement stays in, per the CDE definition, and because it constitutes an ongoing cost. On average, districts spend \$5/ADA on equipment replacement, with a median of only 22 cents per student.

Defining Subcategories using Goal Codes: Goal codes can be used instead of object codes to subdivide spending on students. Goals define an objective or a set of objectives for the districts. We categorize spending by goals categories as defined in the SACS manual, and then

separate out some subcategories of interest. Table 7 shows summary statistics of expenditure subcategories using Goal codes. Again, we focus on Definition 1 (spending from all funds).

Instructional Expenditures, K-12 captures spending on:

- General education K through 12
- Supplemental education for K-12
- Special education *for preschoolers and 5-22 year olds*
- Regional occupational center/program (ROC/P)
- Non-agency expenditures

This category comes to a mean of \$5,630/ADA and a median of \$5,314. A high standard deviation, of \$1,239/ADA (not shown), indicates a great deal of variation in this measure. This is partially driven by the outliers at the very top of the reported spending distribution. However, the interquartile range is also very high, at \$1,381/ADA, indicating wide variation in K-12 instructional expenditures even when not considering outliers.

Table 7: Summary Statistics of Expenditure Subcategories Using Goal Codes, All Funds

	Goal Code	Mean	25th %ile	Median	75th %ile
All Instructional Expenditures	0001-7999	5,630	4,846	5,314	6,227
General Education, K-12	1000-3999	4,497	3,877	4,330	5,151
Regular Ed K-12	1100	4,349	3,766	4,196	4,913
Other K-12 Schools	3100-3700	138	48	117	199
Vocational Ed	3800	10	0	6	13
Bilingual Education	4760	64	0	39	113
Migrant Education	4850	10	0	0	0
Special Ed	5000-5999	1,035	764	979	1,236
Special Education - Pre School	5730	31	7	27	44
Special Education - Severe 5-22	5750	338	99	262	476
Special Educ - Non-Severe 5-22	5770	509	392	496	588
ROC/P	6000-6999	24	0	0	28
Child Care & Development	8500-8599	30	0	0	6

General Education, K-12¹⁰ covers any activities or services that provide students in K-12 with learning experiences, specifically referring to basic skill areas that emphasize literacy, numeracy, languages, math, sciences, history, social studies, arts, and other subject areas including vocational and technical education. This is where districts spend most of their instructional expenditures. The district mean spend on general education is \$4,497/ADA, or 80% of “All Instructional Expenditures.” The median spend is slightly lower, at \$4,330/ADA, and there is a wide interquartile spread of approximately \$1,274. This category can be split into the following sub-categories:

¹⁰ We also performed analysis on “cross-classified” groupings of K-12 expenditures. These analyses are available from the authors upon request.

- Regular education, K-12
- Other K-12 Schools
 - Alternative schools
 - continuation schools
 - independent study centers
 - opportunity schools
 - county community schools
 - community day schools
 - juvenile courts
 - specialized secondary programs
- vocational education

Regular Education, K-12 consists of educational programs that will serve most of the student population in traditional settings. With a mean spend of \$4,349/ADA, regular education for K-12 constitutes 97% of total general education for K-12 spending. Again, there is a large IQR of \$1,146, indicating that even regardless of the outlier spenders, there is substantial variation in spending on regular K-12 education. *Other K-12 Schools* includes all of the schools listed under General K-12 Education except regular and vocational schools. All of these schools combined cost districts an average of \$138/ADA. The median is much lower, at \$48/ADA, indicating that the high outlying districts positively skew the mean spend in this category.

Vocational Education covers expenses for vocational education students in skill areas such as distributive education, health, home economics, industrial arts, technology and trades. This is not for adult education, ROC/P, or special education. Districts spend, on average, \$10/ADA on vocational ed, with the median district spending only \$6/ADA.

The *Bilingual Education, K-12* sub-category records expenditures on services provided to students for whom English is not their primary home language. This provides education for K-12 students *other than* the basic skill areas. This is a part of a larger ***Supplemental Education, K-12*** category that we have subdivided into its three components: Bilingual, Migrant and Other Supplemental Ed. California spends, on average, \$64 per student on bilingual education. There is a \$113/ADA spread between the 25th and 75th percentile spending districts, indicating substantial variation in spending on bilingual students. *Migrant Education, K-12* is expenditures on children of migrant educational workers and migratory fisherman who require additional resources. This provides education for K-12 students *other than* the basic skill areas. Districts only spend an average of \$10 per ADA in this area.

The third category of Instructional Expenditures is spending on ***Special Education***. This category is intended to capture activities and services to students with exceptional needs who are assigned IEPs. California spends, on average, \$1,035/ADA on special education, with a median of \$979/ADA. This is 18 percent of total instructional expenditures. There is approximately a

\$16,000/ADA spread between the highest and lowest spending districts, with the minimum-spending district spending no money at all on special education. There is a \$471 per student spread between the 25th and 75th percentile schools, indicating fairly substantial variation in this category. We further split this into special education for preschool students; for students ages 5-22 who are severely disabled; and for ages 5-22 who are non-severely disabled. The majority of spending for special education is spent on the non-severely disabled, with an average of \$509 per pupil in comparison to the \$338 per pupil spent on the severely disabled. However, the range is much greater, as should be expected, for the severely disabled. One quarter of districts spend more than \$476 per pupil on severely disabled students. This category includes expenditures on special education services and activities for children who are between the ages of five (if already in kindergarten) and 18 who are identified as requiring intensive special education services, and students between the ages of 19 and 21 years who are enrolled in a special education program before their 19th birthday and have not yet completed their IEP or met proficiency standards. Severely disabled includes children who are: autistic, blind, deaf, severely orthopedically impaired, seriously emotionally disturbed, and/or severely mentally retarded.

Special Education spending is mandated through federal law and thus must meet certain legal tests. Because of this, many districts end up spending more on special education than they receive through revenue sources directed towards special education. Sixty-two percent of students are in districts in which the ADA-prorated SELPA expenditure on special education is less than revenues targeted for special education. The average difference for these districts with greater special education expenditures than special education revenues is \$112 per student with a standard deviation of \$143 per student, a substantial amount. If we use district special education spending, not SELPA prorated, we find that 66 percent of districts had greater special education revenues than expenditures. In addition, many districts face legal challenges related to special education. These numbers are not available in SACS.

The fourth category of instructional expenditures is for ***Regional Occupational Centers and Programs (ROC/P)***. It refers to expenditures on skill areas, such as agriculture, distributive education, home economics, health, industrial arts, technology, and trades, designed to prepare students for gainful employment. Districts spend, on average, \$24/ADA on ROC/Ps, with a student- and district-weighted median spend of \$0/ADA. This indicates that most districts do not spend money on those areas.

The final subcategory is ***Child Care and Development*** which covers expenditures for activities/ services pertaining to the operation of programs for the care of children in residential day schools of child care and development programs that are not a part of or directly related to LEA

instructional goals. It has a mean of only \$30/ADA and a median of \$0/ADA, again indicating that most districts do not spend money in this area for K-12 students.

Defining Subcategories using Function Codes. The function field describes activities or services performed in order to accomplish a specific goal (code). They represent general operational areas in an LEA and group together related activities. Functions are generally more detailed forms of goals. LEAs *must* assign a function to each expenditure, but also can use, at their discretion, function codes for revenues. As a result, we had to link all function codes to object codes 1000 to 7999 or goal codes to ensure that we are only capturing the expenditure functions codes. Table 8 gives the descriptions of the subcategories that we use for functions.

Table 8: Summary Statistics of Expenditures Using Function Codes, All Funds

	Function Code	Mean	25th %ile	Median	75th %ile
Instruction	1000-1999	4,673	4,323	4,588	4,961
Special Ed Instruction	1100-1199	777	576	769	983
Instruction Related Services	2000-2999	926	712	846	1,091
Supervision of Instruction	2100-2199	295	133	212	417
Pupil Services	3000-3999	800	673	790	918
Guidance Counseling Services	3110	135	84	125	188
Psychological Services, etc	3120, 3130	90	66	84	105
Health Services	3140	66	37	56	92
Pupil Testing Services	3160	7	1	4	9
Transportation Services	3600	181	126	173	214
Food Services	3700	287	237	293	327
Ancillary Services	4000-4999	40	7	22	50
Enterprise	6000-6999	396	0	100	745
General Administration	7000-7999	408	331	376	453
Board & Superintendent	7100	46	2	36	63
Ongoing Plant Services	8000-8999	752	648	747	802
Plant M&O	8100	463	92	586	739
Facilities	8500 & 8700	21	0	8	33

The largest category of student expenditures using function codes is for *Instruction*. These function codes include activities dealing directly with the interaction between teachers and students. They capture the activities of aides or classroom assistants – personnel or otherwise – who assist in the instructional process. This category also captures expenditures for special education. This is different than “All Instructional Expenditures,” which is an expenditure derived from goal codes as described in Table 5. This code, “Instruction,” is less than the goal code-derived “All Instructional Expenditures” because it is derived from function codes, which include only activities or services performed in order to accomplish a specific goal. The function code-derived figure does not include

supervision of instruction, school administration, or guidance and counseling, for example, all of which may be properly included under the goal-based definition. As such, we see that districts spend a mean of \$4,674 per ADA on “Instruction,” compared with \$5,630 on “All Instructional Expenditures.”¹¹

Special Education Instruction is a sub-category of Instruction and captures specialized instruction provided to special education students with IEPs. It consists of six separate function codes that catalog expenditures for: (1) Instruction, which is the cost of those personnel who work directly with the students to teach them; (2) Separate classes, which is the salaries, supplies, and other costs to provide separate instruction requiring placement in a separate setting; (3) Resource specialist instruction, which includes salaries, supplies and other costs to provide instruction and services for those students whose needs have been identified in an IEP, who receive services under the direction of a resource specialist, and who are assigned to another classroom or a separate class for a majority of the school day; (4) Supplemental aids and services in regular classrooms, which measures the cost of salaries, supplies and other costs needed to allow a student to receive instruction provided in a regular education classroom (not a separate class), including instructional aides, interpreters, Braille services, assistive technology, and special education home and hospital instruction; (5) Nonpublic agencies/schools (NPA/S) which, in accord with an IEP, are provided by a certified NPA/S under district, SELPA or COE contract; and (6) Other specialized instructional services which include costs for instruction provided in accord with an IEP on a pullout or blended basis to any special ed student to supplement other instruction. California spends an average of \$777 per student on special education, or 17% of total instruction expenditures. This is less than special education expenditures found through the goal codes, which was \$1,035/ADA, because it only includes instructional activities. Median spend is \$769/ADA, indicating some quite high spending districts.

A second category of student spending using function codes is ***Instruction-Related Services***. This category measures the expenditures on administrative, technical and logistical support to facilitate and enhance instruction, community services, and enterprise programs. It consists of the supervision of instruction, administrative unit of multidistrict SELPA, instructional library, media and technology, school administration, and other instructional resources. Districts spend, on average, \$926 per student on instruction-related services, about one fifth of the amount spent on direct instruction.

¹¹ We also performed analyses on “cross-classified” groupings on Instructional Expenditures. These analyses are available from the authors upon request.

An important area of Instruction-Related Services is *Supervision of Instruction*, activities for assisting instructional staff in planning, developing, and evaluating the process of teaching, including curriculum development, techniques of instruction, staff training, etc. Districts spend, on average, \$295/ADA on supervision, with a median of \$212/ADA. There is substantial spread around the median, indicating that the relatively large standard deviation is not solely due to outlier districts.

A third category of student spending using function codes is ***Pupil Services***. This category covers expenditures related to guidance and counseling services, attendance and social work services, psychological services, health services, speech pathology and audiology services, pupil testing services, pupil transportation, food services and other pupil services. Districts, on average, spend \$800 per student on this category, with a similar median spend of \$791 per student. This is, non-trivially, 17 percent as large as spending on instruction. One quarter of districts spend at least \$918 in this area. Pupil services can be further divided. Table 6 shows that the largest category of pupil services is for *food services* (approximately 36 percent), followed by *transportation services* (23 percent) and *guidance and counseling services* (17 percent).¹² California districts spend only an average of \$7 per pupil on the direct costs of pupil testing.

A fourth, but very small category of student expenditures using function codes is ***Ancillary Services***. This category covers school-sponsored activities during or after the school day that are not essential to the delivery of services for instruction, instruction-related or pupil services and includes co-curricular activities and athletics. Mean spending on ancillary services is \$40/ADA, and the median spend is \$22/ADA. One quarter of schools spend less than or equal to seven dollars per pupil on these services.

Enterprise expenditures are a fifth category of student spending and cover activities that are financed and operated in a manner similar to private business enterprises where the costs are financed or recovered through user charges. Although most districts spend very little in this area, some districts spend quite a lot. On average, California districts spend \$396 per student, with median spending at \$100. There is substantial variation here, with an IQR of \$745 per ADA.

¹² Food service includes expenditures for activities concerned with providing food to students and staff in a school or LEA, including purchasing food and plates (etc), preparing and serving regular or incidental meals, lunches, or snacks in connection with school activities and food delivery. Pupil Transportation includes any costs for transportation supervisors, directors, bus drivers, bus maintenance personnel, fuel, oil, tires and parts for buses, repair of buses, bus driver training, contracts for transporting pupils, renting or buying and replacing buses and other equipment. Guidance and Counseling Services include expenditures involving counseling with students and parents, consulting with staff on learning problems, evaluation student abilities and assisting them with their education and career planning, information services, appraisal services, placement and counseling services. Pupil Testing Services include costs of staff or consultants assigned to coordinate the standardized testing of students as well as the cost of classroom teachers administering tests to their students. Psychological, Attendance and Social Work Services include expenditures for any psychological services including testing, counseling, and psychotherapy, as well as activities designed to improve student attendance or attempt to prevent or solve student problems involving the home, school and/or community. Health Services include expenditures on physical and mental health services that are not direct instruction, including health appraisal, screening for psychiatric services, emergency injury and illness care, and nursing services.

Using function codes, we find that California spends an average of \$408 per student on **General Administration**. This category refers to district- or county-wide administrative activities that are accounted for in the General Fund. It includes expenditures for the board and superintendent, fiscal services, personnel and HR services, central support and data processing services. At the district level, some of this category is spent on *Board and Superintendent* activities concerned with establishing and administering a policy for operating the LEA. Districts spend an average of only \$46/ADA in this area.

Districts also spend money on ongoing plant services in support of students. We include this in student spending using function codes. **Ongoing Plant Services** tracks expenditures related to keeping the physical plant open, comfortable and safe, and keeping the grounds, buildings and equipment working. It includes expenditures for plant maintenance and operations and for facilities rental and leases. Districts spend an average of \$753/ADA on plant services, \$463 of that going to plant maintenance and operations which includes repairing, restoring, or renovating school property; heating, lighting, trash collection, housekeeping services; and security-related activities.

Summary

In this section we have defined categories of expenditures and described the average expenditures in each of these areas across California districts. Some of the main findings include:

- Average total expenditures per pupil is \$10,586 when including spending from all funds and \$7,380 using spending from the general fund only as CDE does in its reports on school spending. 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 (from all funds).
- Average student-spending is \$8,074 using all funds, compared with \$7,137 per pupil using only the general fund. Student spending makes up 76% of total expenditures.
- K-12 salaries make up approximately half of all expenditures from all funds, and approximately 60 percent of all student spending.
- On average districts spend \$3,112 per pupil on K-12 teacher salaries, approximately 63% of all General K-12 salary expenditures. Most districts spend approximately the same amount, with a difference between the 25th and 75th percentile of only \$357.
- On average California spends \$424 per student from all funds on K-12 administrator and supervisor salaries, approximately nine percent of total salary expenditures and 14 percent of average spending on teachers' salaries.
- With an average of \$1,409 per ADA from all funds, employee benefits cost districts, almost 30% of the cost of K-12 salaries. Of this, \$417 go to the health and welfare benefits of certified personnel, \$220 goes to the health and welfare benefits of classified personnel and

\$416 go for retirement benefits, on average. Currently districts spend only \$86 per student on benefits for already retired personnel.

- California spends approximately \$527 per student from all funds on books and supplies. Of this, only \$59 per student is spent on textbooks.
- Professional consulting services cost a substantial average of \$751 per pupil from all funds and there is great variation across districts with one quarter of students in districts that spend more than \$1030 per pupil in this area which includes consulting services such as professional development and accounting
- Districts spend very little on average on vocational education (\$10/ADA), bilingual education (\$64 per ADA) or migrant education (\$10 per ADA) but a substantial amount on special education (\$1035 per ADA), 18 percent of total instructional expenditures. There is substantial variation in this special education spending across districts. The majority of spending for special education is spent on the non-severely disabled (\$509 per ADA), compared with (\$338 per ADA for non-severe special education, however, the range is much greater, as should be expected, for the severely disabled.
- Sixty-two percent of students are in districts in which the ADA-prorated SELPA expenditure on special education is less than revenues targeted for special education.
- Districts, on average, spend \$800 per student from all funds for pupil services such as food services (36 percent), transportation services (23 percent) and guidance and counseling services (17 percent), health services and food services. This is, non-trivially, 17 percent as large as spending on instruction. One quarter of districts spend at least \$918 in this area.

IB. Revenues

To categorize revenues, we follow the definitions in SACS using the resource codes. As shown in Figure 4, we subdivide all resources into unrestricted and restricted resources. Restricted resources are further sub-divided into restricted federal resources, restricted state resources, restricted local resources and restricted revenue-limit sources (a small category).¹³ We also examine more specific revenue sources, as further described below. Our discussion of revenues is much briefer than the preceding examination of expenditures. This is a direct result of the substantially less detailed accounting for revenue sources than for expenditure sources included in SACS.

Similar to our approach to expenditures, we use two definitions of revenues. The first uses all resource codes in the SACS manual, while the second excludes categories in order to better mirror our definition of student expenditures. In particular, we create a measure of revenues for K-12 operating expenditures that excludes spending on adult education, Head Start, deferred maintenance, state funded capital school facilities projects, community redevelopment and

¹³ For all of these categories, we limit the object codes to include only object codes that are associated with revenue (8000 to 8999).

education, transfers to JPAs and other transfers in from all others. Unfortunately, we were not able to exclude local capital expenditures, which makes it difficult to directly compare revenues and student expenditures. Table 9 outlines the revenue exclusions for the second definition of revenues. The discussion that follows focuses on the Revenues with Exclusions numbers, while Tables A8 and A9 in Appendix A provide calculations both with and without exclusions. Table 10 gives summary statistics for revenue categories, with exclusions.

Figure 4: The Structure of Our Revenue Analyses

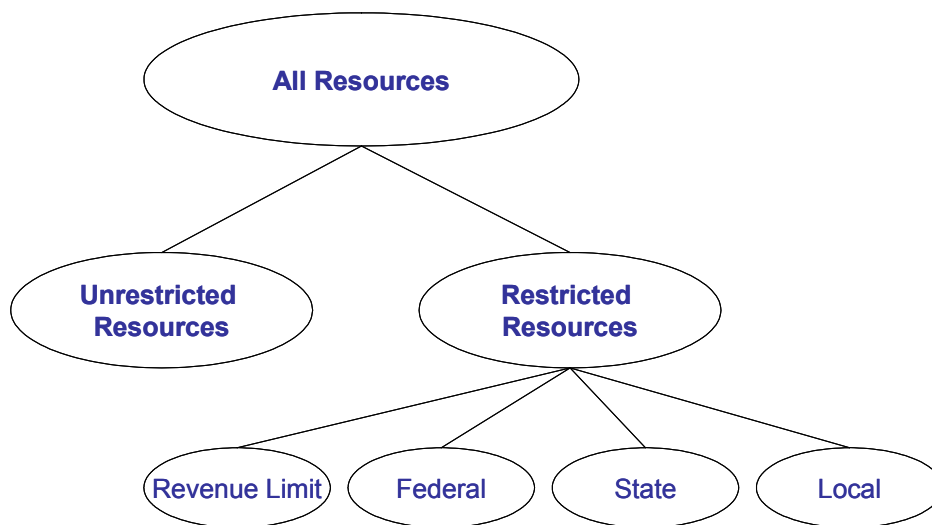


Table 9: Revenue Exclusions

<i>Excludes:</i>	<i>Resource Codes</i>	<i>Object Codes</i>
Adult Education	3900-3999, 6015-6016, 6390	8671
Head Start	5210-5240	
Deferred Maintenance	6205	8540
Capital School Facilities Projects (state)	7701-7799	8545
Community Redevelopment and Education	6280	8047, 8625
Transfers from JPAs		8783, 8793
Other Transfers in from All Others		8799

Districts receive an average of \$10,452 per student, with a student-weighted median of \$9,697. Calculations without the exclusions in Table 9, give an average per pupil revenue of \$11,224 and a standard deviation of \$3,145 (See Appendix A, Table 9). Revenues, like expenditures, can be defined using multiple coding structures. In particular, both object codes and resource codes define revenues. We first divide total revenues by restricting only on resource codes and then do a separate analysis restricting on object codes.

Unrestricted Resources captures any revenue with no reporting requirements, as well as unrestricted resources for which reporting or special accounting is required, including State lottery

and CSR, grades K-3 and 9. Unrestricted resources make up approximately 65 percent of all district resources, with a per pupil average of \$6,786. These funds include among other sources, revenue limit funds, additional resources raised at the local level (e.g. through the parcel tax) and unrestricted state funds.

Table 10: Summary Statistics for Revenues per ADA with Exclusions, All Districts

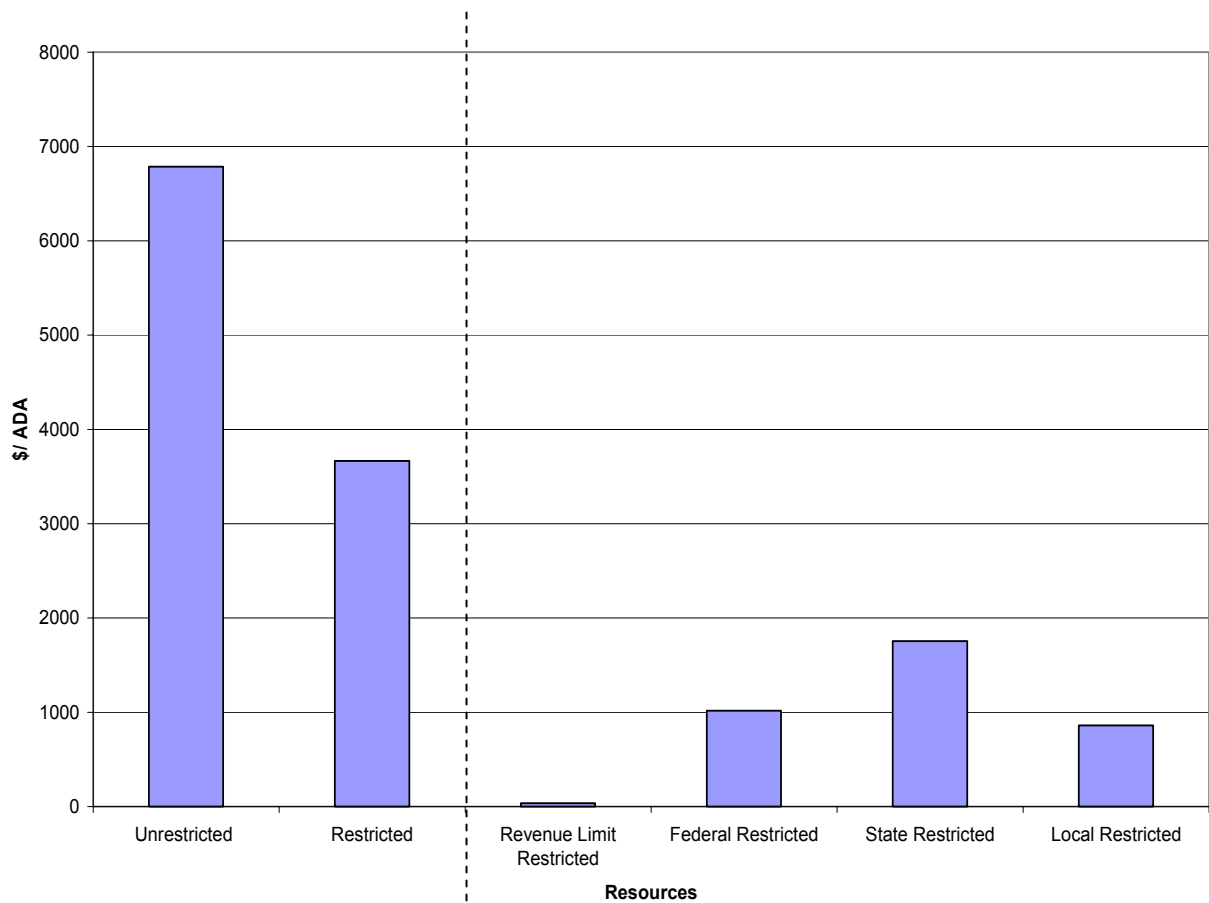
	Mean	25th %ile	Median	75th %ile
All Resources (defined by resource codes)	10452	8455	9697	12578
Unrestricted	6786	5619	6018	7361
Restricted	3666	2463	3122	4097
Revenue Limit Restricted	34	0	11	55
Federal Restricted	1017	678	978	1425
State Restricted	1754	1245	1478	1950
Local Restricted	860	252	402	1147
Resources (defined by object codes)				
Revenue Limit Sources	5129	4852	4991	5195
Federal Revenue Sources	943	551	892	1326
Other State Revenues	1557	1048	1374	1892
Other Local Revenues, not Contributions	1349	869	1261	1873
Other Local Revenue, Contributions	181	78	108	212
Other Financing Sources	1292	122	685	1612
Additional Categories (defined by resource codes unless noted)				
Local Taxes (object codes)	2154	1166	1592	2747
Parcel Taxes	36	0	0	0
Lottery Revenues (State)	148	146	153	165
Class Size Reduction Revenues (State)	224	1	134	317
No Child Left Behind Act Monies (Federal)	432	202	390	677
Special Education Monies (Federal and State)	1047	753	963	1234
Vocational Education Monies (Federal)	11	4	8	17
Child Development Funds (Federal and State)	80	0	49	136
Child Nutrition Funds (Federal)	298	233	316	364
Staff Development (State)	24	12	21	29

Restricted Resources make up the other approximately 35 percent of all district resources. Districts receive, on average, \$3,666 per student, with a large inter-quartile range between \$2,463 and \$7,361. As described in Figure 4, these revenues can be divided using resource codes among revenue limit, federal, state and local restricted resources. Of these restricted resources, the state supplies the most, with the local government providing less than half of what the state provides. Figure 5 represents restricted versus unrestricted revenues, and then breaks down restricted revenues into its government components.

Most revenue limit resources are not restricted. The *restricted revenue limit resources* (resource codes 2000-2999) include Continuation Education, Juvenile Court or County Community schools, and other restricted revenue limit resources. Restricted revenue limit sources make up only

approximately one percent of all restricted resources. Districts receive, on average, \$34 per student from restricted revenue limit sources.

Figure 5: Restricted and Unrestricted Resources per ADA



Federal restricted resources are a much larger category, with an average of \$1,017 per student.

These include:

- NCLB Titles I-VI and X monies
- Special Ed: IDEA funds
- Special Ed: State Improvement Grant, Alternative Dispute Resolution, Disabled Children State Institutions and Workability I funds
- Education Technology grants
- Department of Rehab funds
- Vocational Programs funds
- Goals 2000 funds
- IASA Title III and VIII funds
- Adult Education funds*
- Refugee Children supplemental assistance program
- Bilingual Education Discretionary grants
- Head Start Program*
- Child Nutrition
- School-to-work grants
- Charter Schools
- Indian Education
- GATE
- CalServe
- Child Development Programs
- Medi-Cal Billing Option
- FEMA funds
- Workforce Investment Act
- High School Reform Grant
- Other Federal

The asterisks above indicate that, while Federal Restricted Resources includes funds for Adult Education and Head Start, our “Revenues with Exclusions” definition does not include these funds. Federal dollars make up approximately 28 percent of total restricted funds. Districts receive, on average, \$1,017 per student in these restricted funds.

The State also provides substantial restricted resources (48 percent), even more than the Federal government, with an average of \$1,754 per student. The inter-quartile range for these funds is approximately \$700 per pupil. *State restricted resources* include funds for transportation, the class size reduction program, various instructional initiatives, lottery funds, special education funds, staff development funds, and incentive programs, among others. A complete list of the state restricted resources can be found in Appendix A, Table 10.

Local restricted resources are a combination of routine repair and maintenance, ongoing and major maintenance, and other local. Local dollars make up approximately 23 percent of total restricted funds with an average of \$860 per student. Most of this likely goes towards facilities.

Defining Subcategories of Revenues Using Object Codes

For a more detailed description of revenues, we use object codes in SACS. All object codes from 8000 to 8999 represent revenues. We first subdivide revenues by looking at Revenue Limit and non-Revenue Limit Federal, State and Local resources (see Panel 2 of Table 10), and then look at particular categories of interest (see Panel 3 of Table 10).

Revenue Limit Sources are the base funding for districts in California as described by Timar (2006). This includes Principal Apportionment, Tax Relief Subventions, County and District Taxes, Miscellaneous Funds, and Revenue Limit Transfers. Revenue limit sources make up approximately 49 percent of total district revenues. Districts receive, on average, \$5,129 per student from revenue limit funds.

The State provides much of the revenue limit resources but also provides additional funds to districts. **Other State Revenues** (object codes 8300-8599) make up approximately 15% of total district revenues. Districts receive, on average, \$1,557 per pupil student from “Other State Revenues.” These include

- Other state apportionments from current and prior years
- Year-Round School Incentive
- Charter Schools categorical block grant
- Pass-Through Revenues from state sources
- Child Development Apportionments
- Deferred Maintenance Allowance
- Child Nutrition
- CSR, grades K-3 and 9
- Mandated cost reimbursements
- State Lottery Revenue
- Tax relief subventions
- School Facilities apportionments
- All other state revenue

Similar to the State, local districts raise additional funds aside from the property taxes that go into revenue limit resources. **Other Local Revenue** (object codes 8600 to 8799, EXCEPT 8699) make up approximately 13 percent of total district revenues, \$1,349 per student, on average. They include County and District Taxes, Sales, Leases and rentals, Interest, Net increase (decrease) in the fair value of investments, Fees and contracts and other local revenue as defined by object codes 8691, 8697 and 8610.

In addition to the local resources described above, many districts receive **Contributions** (object code 8699) from parents and foundations. This category is only 13% as large as the above category of “other local revenue.” It constitutes an average of \$181 per student, with one quarter of students in districts with less than \$78 per pupil and another quarter in districts with at least \$212 per pupil of this funding. While contributions to schools get substantial attention and are large in a small number of schools, on average they only account for less than two percent of funds to schools for operating expenditures.¹⁴

Additional Revenue Categories Using Object Codes and Resource Codes

We next look at some categories of revenues that may be of particular interest. First, students receive approximately \$2,154 per pupil, or 21% of total resources in **Local Taxes** (object codes 8040-8079 and 8610-8629). These include both revenue limit and non revenue limit taxes. County and District Taxes include Secured Roll taxes, Unsecured Roll taxes, Prior Years’ taxes, Supplemental taxes, Education Revenue Augmentation Fund, Community redevelopment funds, Penalties and interest from delinquent taxes, and Receipts from County Board of Supervisors. Also included in this are Voted indebtedness levies (secured and unsecured roll, prior years’ taxes, and supplemental taxes), Other restricted levies (secured and unsecured roll, prior years’ taxes, and supplemental taxes), Parcel taxes, Other non-ad valorem taxes, Community redevelopment funds not subject to revenue limit deduction and Penalties and interest from delinquent non-revenue limit taxes. There is substantial variation in local taxes, with one quarter of students in districts that receive less than \$1,166 per student and another quarter in districts that receive more than \$2,747 per pupil. **Parcel Taxes** (object 8621) are the main tax available at the district level for generating supplemental funds. They constitute only 0.3 percent of total resources, with a mean revenue of \$36 per student.

¹⁴ In “Fiscal Stress and Voluntary Contributions to Public Schools” (NCES: Developments in School Finance 2004) Brunner and Imazeki estimate that voluntary contributions averaged less than \$40 per pupil in 2001.

Lottery Revenues (resource codes 1100 and 6300) provide an average revenue of \$148 per student. **Class Size Reduction Revenues** (resource codes 1200, 1300, and 6200) provide approximately \$224 per student. And **No Child Left Behind Act** monies (resource codes 3010, 3012, 3020, 3025, 3035, 3040, 3041, 3045, 3060, 3061, 3090, 3100, 3105, 3110, 3150, 3170, 3171, 3172, 3710, 3715, 3718, 4035, 4036, 4045, 4046, 4050, 4110, 4115, 4123, 4124, 4126, 4201, 4203, 4610, 5510, and 5630) provide each student an average of \$432 with a quarter of districts receiving over \$677 per student.

Vocational Education funds come from federal monies (resource codes 3505 and 3555). These are all of the resource codes that explicitly mention vocational education, including Carl Perkins Act resources covering nontraditional training and employ, vocational and applied tech monies, Vocational and Applied Sex Bias/ equity II B funds, Vocational programs postsecondary and adult. In keeping with expenditure numbers, vocational education dollars only constitutes \$11/ student in average revenues.

From the SACS codes we developed categories of **Child Development funds** (resource codes 5000-5199, 6040-6080, and 6110-6145) and **Child Nutrition funds** (resource codes 5310-5455), which provide \$80 per student and \$298 per student in revenues on average. Child nutrition revenues provide resources for summer food service program operations and sponsor administration.

Special Education Monies combines federal and state funds that go towards special education, and include all the codes that mention “special education.” They do not include resource codes that did not directly address special education; therefore, this is likely to be an underestimation of funds going to special education students. This category (resource codes 3310-3405, 6500, and 6510) include special education monies for IDEA, Alternative dispute resolution, disabled children state institutions, “workability I”, state restricted special education funds, and early education individuals with exceptional needs. They provide districts with an average of \$1,047 per student.

The final category that we look at is revenues specifically for **Staff Development**. These are all state funds and include the School Improvement and Staff Development Cluster.¹⁵ While these funds provide resources for a large number of programs including Beginning Teacher Support and Assessment (BTSA), they constitute only approximately \$24 per student in revenues.

¹⁵ Resource codes 7280-7345, and 7352 cover a wide range of staff development activities, including beginning teacher support and assessment (BTSA), High school coaching training, IB training and startup, development funds for standards based math grades 4-12, math and reading, reading services for blind teachers, resource agencies and consortia, school development plans, admin training and evaluation, principals’ training, inter-segmental college readiness, inter-segmental advancement via individual determination and inter-segmental CA teacher ed institutes. We also include education technology staff development (**rc 7120**), CA Peer Assistance and Review Program for teachers (**7271**), Alternative Certification program for intern teachers (**6260**), CA Math initiative for teaching (**6261**), Pre-Internship teaching program (**6262**), and Paraprofessional teacher training (**6263**).

Districts also receive funds for **Adult Education** and **Head Start**, however we have excluded them from our definition of revenues because they do not serve K-12 students. California spends through school districts an average of \$11 per student for adult education and \$14 per student on Head Start.

Summary

In summary, this section defined and described revenue sources. It demonstrated:

- California students receive an average of \$10,452 per student. Of these, 65 percent or \$6,786 per pupil are unrestricted.
- Revenue limit resources provide an average of \$5,129 per pupil.
- Districts raise an additional \$1,349 per student, on average, 13 percent of total district revenues. Much of this goes to capital improvements. The parcel tax, the main tax available to districts for supplemental funding for operations raises only \$36 per pupil, on average. Our category of contributions to districts sums to only \$181 per pupil, on average, and includes more than voluntary contributions of individuals.
- The federal government provides \$1,017 per student in restricted resources such as Title I and Special Education IDEA funds, almost 10% of total funds. No Child Left Behind Act monies alone average of \$432 per pupil with a quarter of students in districts that receive over \$677 per student.
- Class Size Reduction Revenues provide approximately \$224 per pupil to districts.
- Districts receive only a small amount of staff development funds, \$24 per student, on average.

Section II. Differences Across Districts in Expenditures and Revenues

This section explores how expenditures and revenues differ across different types of districts, defined along the following dimensions:

- urban, suburban, town and rural districts;
- elementary, high school and unified districts;
- districts with low, medium and high percentages of black and Hispanic students; and
- districts with low, medium and high percentages of students enrolled in the free/ reduced price lunch program.

We first focus on how expenditures differ across these categories for total expenditures, student spending, and the six categories of non-student spending defined in Section I. Next, we examine how expenditures differ across the subcategories of student spending, and then move to differences in revenues by district type. The tables in this section report means for each group and the results of t-tests comparing groups.¹⁶ In addition, we ran simple regressions for expenditures and revenues, including the following predictors: district type; enrollment; enrollment change; percents of special education, black, Hispanic and free or reduced price lunch eligible students; urbanicity; median household income; percent of adults in the district with at least a high school degree; and the unemployment rate. The regression results largely support the findings from our simple t-tests, and can be found in Appendix B.

The analyses presented below include only districts with at least 250 students, which includes only 78 percent of California districts (759 districts), but represents 99.6 percent of California students. Thus, the mean expenditure and revenue values in this section differ slightly from those in Section I. We exclude the smaller districts from our analyses because they are often outliers. This might be for a number of reasons, including that small districts have a more difficult time complying with the often-confusing SACS reporting. Many districts hire experts to fill out the SACS reports for them due to their complexity and nuance. Smaller districts may not have the economies of scale to do so, which may lead to errors in reporting. Another possibility is that these small districts have one-time expenditures or revenue sources that translate to high dollars per student values given their small size. These expenditures or revenues would vary greatly over time, and therefore could lead to erroneous conclusions regarding the finances of these small districts.

The 213 excluded districts are measurably different from the included districts on a number of measures in addition to size. However because they educate only 0.4% (22,839) of California students and their reports may be inaccurate, we choose to exclude them. Smaller districts are less

¹⁶ Full descriptive statistics for each group of districts for each expenditure and revenue area are available from the authors upon request.

racially diverse and are more often in rural areas than are larger districts. They are also far more likely to be elementary school districts than high school or unified districts. Table B1 in Appendix B provides further details regarding the differences between districts with fewer than 250 students and those with 250 or more students.

IIA. Total Expenditures, Student and Non-Student Spending Categories

Although we see some interesting patterns in district spending by student poverty, race, ethnicity, district urbanicity and grade span, which we will describe in detail below, these measures explain only a little of the variation in spending across districts.

Total Expenditures

Table 11 gives the average spending across district type for districts with at least 250 students. Surprisingly, we find that districts in towns spend the most overall, and suburban districts spend the least. High school districts also spend more than their unified and elementary counterparts, with elementary school districts spending less than unified districts. We also see evidence that districts with the highest proportions of students enrolled in free and reduced price lunch programs spend the most overall.

Suburban districts consistently spend less per pupil than districts in other geographic regions. Urban districts spend more overall from all funds than do districts in towns, suburban or rural areas.¹⁷ The difference between urban and suburban areas is lessened when we examine total expenditures from just the general fund, and the difference between urban and town or rural districts is eliminated. Redistributing COE spending back into the total expenditures increases the overall spending value, particularly in town districts.

High school districts spend more overall from all funds than do unified and elementary districts. This pattern is again lessened when examining total spending from just the general fund. Prorating for COE and SELPA spend does not substantially change these patterns. In all cases unified districts spend more than elementary districts and less than high school districts, per pupil.

Interestingly, districts with either a high proportion or a low proportion of black or Hispanic students spend more per pupil than the average district, while the poorest districts spend consistently more than either the middle districts or the wealthiest districts. Districts with a high percentage of black and Hispanic students and students enrolled in the free and reduced price lunch program have the highest total expenditures, followed by the districts with the lowest percentages of

¹⁷ In the multivariate analysis, suburban districts spend less than others, but urban districts do not spend more than town and rural districts once student characteristics are controlled for.

these students. Again, these patterns are muted by limiting total expenditures to just the general fund. When we examine SELPA and COE prorated total spending from just the general fund, we see a reversal of this pattern: districts with the lowest percentages of black and Hispanic students spend the most. However, districts with the most students enrolled in free/ reduced price lunch programs still spend the most, even when examining COE and SELPA prorated spending from the general fund. Although many of these differences are statistically significant, none are substantial in terms of actual dollar values.

Table 11: Differences in Total Expenditures Across Districts of Different Types

	Expenditure Definition 1, All Funds		Expenditure Definition 2, General Fund	
	Total Expenditures	SELPA and COE Prorated	Total Expenditures	SELPA and COE Prorated
Overall	10,579	11,203	7,372	7,905
Urbanicity				
Urban	11,206***	11,776***	7,653***	8,156***
Suburban#	9,924	10,521	7,044	7,546
Town	10,457	12,258*	7,644*	9,004***
Rural	10,016	11,132	7,550**	8,454***
Grade Range				
Elementary#	9,488	10,296	7,046	7,733
High	11,277***	11,893***	7,608***	8,114**
Unified	10,787***	11,355***	7,432***	7,921*
Percent Black				
Low (1 st quartile)	9,873	10,873	7,548*	8,356***
Medium (middle half) #	10,092	10,799	7,128	7,729
High (4 th quartile)	10,940***	11,475***	7,514***	7,976***
Percent Hispanic				
Low	10,819*	11,592**	7,593***	8,251***
Medium#	10,089	10,706	7,129	7,654
High	11,197***	11,793***	7,663***	8,174***
Percent Free/Reduced Lunch				
Low	10,419	10,960	7,061	7,533*
Medium#	10,059	10,729	7,171	7,735
High	11,440***	12,028***	7,845***	8,354***

Note: # indicates reference categories.

Large Expenditure Categories

Table 12 gives similar results broken into seven expenditure categories. Here we consider spending from all funds. If we restricted this to spending only from the general fund, the spending on students would drop by \$933 per student; spending on retiree benefits would drop by approximately six dollars, spending on community services would drop by \$15, PERS reductions would drop by three dollars, and the other spending categories would be reduced substantially.

Most spending on pre-K and adult programs, capital, and debt service come from funds other than the general fund.

Table 12: Differences in Spending Across Districts of Different Types For Different Categories of Spending, Using All Funds

	Student Spending	Pre-K and Adult Spending	Capital Outlay and Facilities	Debt Services	Retiree Benefits	PERS Reduction	Non-Agency Community Service
Overall	8,062	188	1,661	490	86	21	79
Urbanicity							
Urban	8,556***	230	1,624	583***	123***	21	75
Suburban	7,547	157	1,678	403	49	22	75
Town	8,076	114	1,703	335	102	22	108
Rural	7,891	62*	1,525	364	47	26	106
Grade Range							
Elementary	7,470	66	1,396	412	48	20	78
High	8,031**	263***	2,196***	610*	73	24	93
Unified	8,236***	212***	1,657*	497	98***	21***	75
Percent Black							
Low (1 st quartile)	7,960	181	1267	271	57	22	119**
Middle Half	7,629	135	1698	479	59	22	74
High (4 th quartile)	8,351***	222***	1659	516	105***	21	76
Percent Hispanic							
Low	7,947	71*	1,796	788*	45	21	81
Middle Half	7,706	154	1,601	469	71	22	65
High	8,576***	255***	1,705	468	114***	21	93***
Percent Free/Reduced Lunch							
Low	7,603	130	1,889*	660***	50	21	70
Middle Half	7,706	161	1,605	438	68	22	65
High	8,861***	262***	1,602	475	133***	21	100***

California districts with 250 or more students spend, on average, \$86/ADA on retiree benefits, from all funds. Ninety-two percent of this spending (\$80/ADA) comes from the general fund. Urban and unified districts spend significantly more on health and welfare benefits payments for retirees, as do districts with the highest proportions of black and Hispanic students and of students enrolled in the free/ reduced price lunch program.

From the table we see that the largest two expenditure areas are student spending and capital outlay and facilities. Urban districts spend more than suburban districts in the student spending category by approximately 13 percent.¹⁸ They also spend more, on average, for debt services and retiree benefits though these are much smaller categories. Interestingly, spending on retiree benefits per student are two and a half times as great in urban areas as in suburban areas.

¹⁸ Once controls are introduced in a multivariate framework, urban districts continue to spend more than suburban districts, with urban districts spending the most in this category.

The results comparing elementary districts with high school and unified districts are interesting. We saw in Table 11 that, on average, high school districts spend more in total expenditures than unified districts, which spend more than elementary districts. In Table 12, we see that while both unified and high school districts spend more per pupil on student spending than do elementary districts, the higher total spending of high school districts is driven largely by capital outlay and facilities. High school districts are spending 33 percent more than unified districts and 57 percent more than elementary districts on capital. Whereas these districts only spend eight percent more than elementary districts and two percent less than unified districts on student spending.

Table 12 also breaks down spending by the race/ethnicity and poverty characteristics of students. The most consistent finding is that the quarter of districts with the highest proportion of black, Hispanic or poor students spend more on students per pupil than do other districts, on average. For example, districts with the highest proportion of poor students spend, on average, 15 percent more than the middle half of districts, while districts with the highest proportion of black students spend, on average, nine percent more than the middle half of districts and districts with the highest proportion of Hispanic students spend, on average, 11 percent more than the middle half of districts. We also see somewhat higher spending on pre-K and adult education and on retiree benefits in these districts.¹⁹ For example, districts with a high proportion of Hispanic children spend approximately \$255 per pupil on pre-K and adult education compared with \$154 in the middle districts and \$71 in the quarter of districts with a low proportion of Hispanic students. There is little difference, on average, in capital and facilities spending between districts with varying proportions of Hispanic students when considering spending from all funds. Higher income districts spend approximately 18 percent more on capital (\$1889 per pupil in comparison to \$1,602 per pupil) and 39 percent more on debt services (\$660 versus \$475) than the low income districts. Additional detail is available in Appendix C.

Summary

In summary, comparing expenditures in the Student and Non-Student spending categories give the following main results:

- Suburban districts spend less per pupil than urban districts, due to differences in spending on K-12 students (\$8,556 per pupil in urban schools compared with \$7,547 in suburban schools). Spending on Capital, pre-K and adult education, and Non-Agency community service is approximately the same in suburban and urban areas.

¹⁹ While the results by poverty group hold up in the multivariate analyses, we do not find that districts with a high proportion of Hispanic students spend more once we control for other characteristics.

- High school districts spend the most per pupil, with unified districts second and elementary districts the lowest. Higher spending in high school districts is driven by both higher student spending and higher spending on capital. Student spending in High school districts is actually less per pupil than student spending in unified districts.
- Districts with a high proportion of students in poverty spend more, on average, than their middle or high income comparisons. This difference is driven primarily by differences in spending on students.
- Higher income districts spend approximately 18 percent more on capital and 39 percent more on debt services than low income districts.

IIB. Subcategory Breakdowns of Student Spending

In the following sections we report on similar analyses for subcategories of student spending. Here, again, we focus on spending from all funds. The analyses using only spending from the general fund appear in Tables C6 through C10 in Appendix C. Similarly, we report spending breakdowns based on object codes, but those based on goal codes and function codes also are given in Appendix C.

Salaries

Table 13a gives salary expenditures. Overall districts spend an average of \$5,120 per pupil on salaries, of which approximately 63 percent goes to teachers, nine percent to administrators, six percent to other certificated staff, and 23 percent to other classified staff. Urban districts spend significantly more than suburban districts on salaries of teachers, administrators and other staff. The distribution of spending across different staff types is approximately the same. Urban districts also spend more per pupil on teacher salaries than do rural districts, but not more on administrator salaries. Town and Rural districts spend a slightly greater proportion of their salary expenditures on administrators (9.1 percent and 9.7 percent respectively) than do urban and suburban schools (8.6 percent and 8.4 percent respectively). They also spend slightly less on other certificated staff (4 percent vs. six percent and five percent) and slightly more on other classified staff (24 percent, vs. 22 percent for urban and suburban districts).

Table 13a shows little difference in salary spending between elementary districts and either high school or unified districts. High school districts spend approximately \$200 less per pupil on teacher salaries and approximately \$200 per pupil more on other classified staff. They also spend approximately \$60 more per pupil on other certificated staff.

**Table 13a: Differences in Spending on Salaries Across Districts of Different Types
For Different Categories of Student Spending Using All Funds**

	SALARIES	Teacher Salaries	Administrator Salaries	Other Certified Salaries	Other Classified Salaries	CONSULTING AND OPERATING EXPENDITURES
Overall	4937	3110	423	273	1131	750
Urbanicity						
Urban	5120***	3188***	440***	321***	1171***	1025***
Suburban	4744	3030	399	231	1084	485
Town	4916	3114	449	195	1158	479
Rural	4874	3034	473***	179*	1188**	406
Grade Range						
Elementary	4797	3145	418	184	1051	394
High	4967*	2960***	432	342***	1233***	471
Unified	4972***	3120	423	289***	1141***	885***
Percent Black						
Low (1 st quartile)	4918	3053	466***	247	1152	502
Middle Half	4773	3055	409	216	1093	537
High (4 th quartile)	5043***	3148***	428**	312***	1155***	905***
Percent Hispanic						
Low	5020	3212***	451**	214*	1142	539
Middle Half	4825	3056	414	250	1104	585
High	5076***	3164***	429*	316***	1168***	1013***
Percent Free or Reduced Price Lunch						
Low	4813	3096	414	216***	1087	590
Middle Half	4830	3048	407	260	1115	538
High	5167***	3209***	451***	326***	1181***	1156***

Districts with high percentages of black and Hispanic students and students enrolled in the free or reduced price lunch program spend more on salaries than other districts. As an example, the fourth of districts with the highest proportion of students in poverty spend an average \$5,167 per pupil on salaries, and \$3,209 on teacher salaries, compared with \$4,830 and \$3,048 respectively for the middle half of districts. These groups exhibit the familiar U-shape relationship, whereby the middle half of schools spend *less* than the low- and high-percentage groups.²⁰ Districts with high percentages of students enrolled in the free/ reduced price lunch program spend approximately \$350/ADA more than low-proportion districts—significant both statistically and in magnitude terms. Higher income districts spend a slightly higher proportion of their salary expenditures on

²⁰ In the multivariate analyses higher poverty districts tend to have higher salaries, but there is not significant relationship with the percent of black students and the relationship with the percent of Hispanic students is non-linear.

teachers (64 percent compared with 62 percent for the poorest districts), while they spend a slightly lower proportion on other certificated staff (four percent compared with six percent).

Table 13a also provides information on expenditures on consulting and operating expenses. There are significant disparities between district types in this area: urban and unified districts and districts with high percentages of black and Hispanic students and of students enrolled in the free or reduced price lunch program spend substantially more on consulting and operating expenditures than do other districts. For example, urban districts spend \$1,025 per pupil on average, while the next highest spending group, suburban districts, spend only \$485 per pupil. Unified districts spend over twice the amount paid by elementary districts, and significantly more than high school districts. Districts with the highest proportion of black and Hispanic students spend significantly more on consulting and operating expenditures than do low- and middle-proportion districts.

Table 13b: Differences in Spending on Benefits Across Districts of Different Types For Different Categories of Student Spending Using All Funds

	BENEFITS	Current Health and Welfare / Certificated	Current Health and Welfare / Classified	Retirement Benefits	Retirement Benefits / Certificated	Retirement Benefits / Classified
Overall	1407	417	220	415	303	113
Urbanicity						
Urban	1458***	426*	223	432***	313***	119*
Suburban	1338	400	212	399	292	107
Town	1653***	555***	307*	410	298	112
Rural	1506***	470*	260	406	293	113
Grade Range						
Elementary	1338	425	182	399	300	100
High	1443**	420	246***	418*	295	123***
Unified	1422***	415	228***	420***	304	115***
Percent Black						
Low (1 st quartile)	1513*	479	268	417	300	117*
Middle Half	1394	437	228	399	294	106
High (4 th quartile)	1408	400***	212	426***	308***	117***
Percent Hispanic						
Low	1366	403	196	423**	310**	114
Middle Half	1387	410	229	403	296	107
High	1443**	429	213	431***	310***	121***
Percent Free/Reduced Lunch						
Low	1285***	378*	171***	405	298	107
Middle Half	1390	409	236	405	295	110
High	1502***	451***	225	437***	316***	121***

Benefits

Table 13b describes expenditures on staff benefits. Overall districts spend an average of \$1,407 per pupil on benefits. Urban districts spend less on benefits overall than do town and rural

districts, but more than suburban districts. They spend more than all other types of districts on STRS and PERS contributions towards retirement benefits, though all districts spend approximately \$400 per pupil in this area. Elementary districts spend less than other districts on benefits except for the health and welfare benefits of current teachers, for which they spend approximately the same as unified and high school districts. Looking at districts by student characteristics, we see that districts with a high percent of black students, Hispanic students, or students in poverty, spend more on benefits overall, across all categories.²¹

We can look at spending on benefits as a proportion of spending on salary. California district spending on benefits averages 28 percent of spending on salaries. Town and rural districts spend a slightly higher percent, 34 percent and 31 percent respectively, and high income districts, with spending on benefits equal to 27 percent of their spending on salaries, spend a relatively lower percent than their poorer counterparts, at 29 percent. We find no difference by district characteristics in the ration of retirement benefits to salary. For each group, the average spending on retiree benefits is 8.4 percent of the spending on salaries.

Table 13c: Differences in Other Spending Across Districts of Different Types For Different Categories of Student Spending Using All Funds

	BOOKS AND SUPPLIES	Text Books	Other Books & Supplies	Services and Operating Expenditures	Equipment Replacement	Other Outgo	Other Transfers Out
Overall	525	59	466	1126	5	49	54
Urbanicity							
Urban	550***	59	491***	1384***	3*	24*	30*
Suburban	493	59	434	867	6	79	84
Town	537	51	486	948	11	10	15
Rural	598***	60	538***	875	14**	21	23
Grade Range							
Elementary	509	52	456	793	7	24	25
High	538	70***	468	973*	6	104	113*
Unified	529	59*	469	1236***	4*	49	54
Percent Black							
Low (1 st quartile)	593***	53	540***	916	11	7	14
Middle Half	485	56	430	917	6	49	53
High (4 th quartile)	546***	61*	484***	1273***	3*	52	58
Percent Hispanic							
Low	460	57	403	1001	11*	135	138
Middle Half	468	55	413	935	5	67	71
High	615***	65***	550***	1405***	3	10*	17*
Percent Free/Reduced Lunch							
Low	419***	60**	358***	990	4	76	81
Middle Half	494	53	441	898	6	62	65
High	632***	67***	565***	1538***	3**	15	22

²¹ These results hold up in the multivariate framework only for black students and students in poverty.

Other Expenditure Categories

Table 13c provides information for other categories of expenditure by district type. We see, for example, that spending on textbooks is only a small proportion of overall spending, though it is slightly higher in high schools and schools with a high proportion of black or Hispanic students or students in poverty.

Table 14: Expenditure Categories Using Goal Codes, By District Type

	GENERAL EDUACTION K-12	Regular Ed K-12	Other K-12 Schools	Vocational Ed	Bilingual Education	SPECIAL EDUC.	Special Education -Severe	Special Educ. Non Severe
Overall	4487	4340	137	10	64	1037	340	509
Urbanicity								
Urban	4639***	4492***	135	12*	85***	1161***	449***	484***
Suburban	4292	4152	131	8	46	945	249	538
Town	4925*	4623	281*	21	14	693	140	479
Rural	4711**	4521**	179	11	15	647***	67*	497
Grade Range								
Elementary	4434	4406	28	0	73	836	168	533
High	4265	3906***	330***	28***	43*	1033***	277**	544***
Unified	4531	4378	141***	11***	64	1093***	395***	498***
Percent Black								
Low	4765**	4624**	127	13	21	717**	100*	528
Medium	4354	4235	113	7	54	923	229	528
High	4550***	4385**	153**	12**	73**	1134***	427***	496*
Percent Hispanic								
Low	4605**	4473**	120	12	18*	999	201*	572
Medium	4313	4173	130	9	43	995	291	537
High	4702***	4542***	149	11	101***	1102***	430***	460***
Percent Free or Reduced Price Lunch								
Low	4241	4080*	153	9	26**	1024	269	566*
Medium	4364	4228	128	8	46	965	276	527
High	4806***	4651***	141	14**	110***	1152***	474***	450***

Tables 13a-c give expenditure levels as defined by object codes. We did similar analyses using goal codes and function codes. Table 14 presents some of the results from the goal codes analysis. Additional breakdowns can be found in Appendix C. Many of the results are similar. For example, like student spending, instructional expenditures as defined by goal codes are higher in urban districts than suburban districts and higher in unified districts than elementary districts, though neither of these differences hold up in a multivariate analysis. Districts with high proportions of black and Hispanic students spend the most on instructional expenditures, and we see the familiar

U-shaped relationship, with low-black or Hispanic districts spending the next most, and medium-black or Hispanic districts spending the least. The largest difference in the instructional subcategory exists between districts with different proportions of students enrolled in the free/ reduced price lunch program: Districts with high proportions of students enrolled in free/ reduced price lunch programs spend 17 percent more than districts with the lowest proportion of students enrolled in lunch programs.

Goal codes provide the ability to separate expenditures into some additional interesting categories such as vocational education, bilingual education and special education. Spending on vocational education is very small piece of the budget, with an average spend of only \$10 per student. Districts in towns spend twice that amount, compared to suburban districts, which spend only \$8/ADA, though this difference does not hold up in a multivariate framework. As might be expected, high school districts spend the most in this area (\$28 per ADA), and elementary districts pay virtually nothing (one cent per ADA).

Spending on bilingual education averages \$64 per student. It is highest in urban schools at \$85 per student, and lowest in town and rural schools at only \$14 and \$15 per student, respectively. Students with a high proportion of Hispanic students spend an average of \$101 per student in this area. Goal codes also allow us to look at migrant education, though we do not report it in the table. No district spends a tremendous amount of educational programs for migrants (average spending for districts with 250 students or more is \$10/ADA), but there is wide variation: districts in towns spend almost nothing (five cents/ ADA), and urban districts spend \$6/ADA, but suburban and rural districts spend approximately \$14/ADA. There are no significant differences in spending on migrant education between different elementary, unified and high school districts, on average.

While migrant education, bilingual education and vocational education programs are relatively small spending areas, special education is not. Districts with 250 or more students spend, on average, \$1,037 per student on special education. Very little of this is spent on pre-school students (only \$31 per student). The rest is split between services for severely disabled students between the ages of 5 and twenty-two (\$340 per student) and services for non-severely disabled students (\$509 per student). As might be expected these expenditures vary across districts. Urban districts spend far more than any other district type,²² and special education spending decreases as districts become less populous (rural districts spend the least on special education). Moreover, spending on services for students with severe and non-severe disabilities is fairly evenly split in urban districts, with urban districts spending 39 percent of its total special education expenditures on students with severe disabilities and 42 percent on students with non-severe disabilities. Districts

²² This difference does not hold up in a multivariate framework.

in other settings spend far smaller proportions of their total special education dollars on severe cases than on services for non-severe special education students.

Elementary districts also spend far less on special education than either high school or unified districts, although they spend more than high school districts on special education for pre-school students. Elementary schools spend 64 percent of their total special education expenditures on students with non-severe disabilities, and 20 percent on students with severe disabilities. Unified and high school districts' spending patterns are slightly more evenly split.

Districts with the highest proportion of black students spend the most on special education overall. High percentage black districts also spend the highest proportion of their special education funds on students with severe disabilities: 38 percent, as compared to 25 and 14 percent in medium- and low proportion black districts. The same pattern holds for high-proportion Hispanic districts and for high-proportion poor districts.

Table 15a: Expenditure Categories Using Function Codes, By District Type

	Instruction	Special Ed Instruction	Instruction Services	Supervision of Instruction	Pupil Services	Guidance Counseling
Overall	4666	778	924	296	799	135
Urbanicity						
Urban	4801***	852***	1054***	405***	842***	145***
Suburban	4514	725	799	199	741	125
Town	4734	575	757	87	885*	174
Rural	4689	508***	786	106*	907***	100
Grade Range						
Elementary	4728	667	773	195	695	51
High	4384***	758*	899***	186	905***	290***
Unified	4686	811***	969***	338***	814***	138***
Percent Black						
Low	4668	565**	898*	226	844*	116
Medium	4565	707	801	188	733	121
High	4730***	839***	1004***	369***	838***	145***
Percent Hispanic						
Low	4800**	730	796	156*	685**	135
Medium	4562	776	852	224	767	131
High	4783***	789	1045***	418***	863***	140
Percent Free or Reduced Lunch						
Low	4557	782	770***	158***	641***	145
Medium	4549	754	866	235	793	132
High	4902***	812***	1098***	463***	896***	134

The third coding structure for expenditures, function codes, allows us to look at other services as well. Tables 15a-c provide these expenditure figures. Across the board, urban districts spend more than suburban districts and districts with a high proportion of black, Hispanic or poor students, spend more than other districts. This relationship holds for instruction, special education

instruction, instruction services, supervision of instruction, pupil services, guidance counseling, psychological serves, health services, pupil testing services, enterprise and plant maintenance and operations. Expenditures on transportation services, food services, general administration and board and superintendent are higher in rural areas, and are generally higher in areas with a lower proportion of black, Hispanic or poor students.²³

Table 15b: Expenditure Categories Using Function Codes, By District Type

	Psychological Services, etc	Health Services	Pupil Testing Services	Transportation Services	Food Services	Ancillary Services
Overall	90	66	7	180	286	40
Urbanicity						
Urban	94	83***	9***	183***	293**	31***
Suburban	89	50	6	162	275	47
Town	68	46	4	271	293	96
Rural	64**	39	3*	329***	329***	50
Grade Range						
Elementary	85	58	5	153	303	14
High	101*	33***	13**	184*	246***	139***
Unified	90	72***	7***	187***	287	35***
Percent Black						
Low	82	53	4	211**	338***	52
Medium	85	52	6	169	270	47
High	94**	76***	8***	185*	292***	35*
Percent Hispanic						
Low	84	43**	4	190	203***	60
Medium	89	60	7	182	266	39
High	92	78***	8*	176	328***	39
Percent Free or Reduced Lunch						
Low	82	42***	6	148***	193***	51
Medium	87	61	8	188	285	46
High	100***	86***	7	187	349***	25***

²³ Some of these comparisons are not significant in the multivariate models.

Table 15c: Expenditure Categories Using Function Codes, By District Type

	Enterprise	General Administration	Board & Superintendent	Plant	Plant M&O
Overall	398	405	45	751	463
Urbanicity					
Urban	629***	386**	41	752	513***
Suburban	179	410	43	741	408
Town	253	510*	89**	822	403
Rural	27	574***	108***	819**	413
Grade Range					
Elementary	110	441	57	676	309
High	177	478*	47	911	457
Unified	503***	387***	41***	751***	504***
Percent Black					
Low	193	495**	78***	780	435
Medium	250	428	48	735	377
High	504***	385***	40*	759*	516*
Percent Hispanic					
Low	184	491***	71***	821***	458
Medium	254	400	37	727	403
High	627***	398	50***	771***	541***
Percent Free or Reduced Price Lunch					
Low	278	432*	51**	757	428
Medium	214	402	37	733	391
High	733***	397	53***	775***	585***

Summary

In summary, comparing expenditures by sub-category of student spending gives the following main results:

- Urban districts spend significantly more than suburban districts on salaries of teachers, administrators and other staff. The distribution of spending across different staff types is approximately the same across districts based on urban status, though town and rural districts spend a slightly greater proportion of salary on administrators and other classified staff.
- High school districts spend approximately \$200 per pupil less on teachers and \$200 more on other classified staff than do elementary or unified districts.
- Districts with high percentages of students enrolled in the free/ reduced price lunch program spend more on salaries than other districts. As an example, the fourth of districts with the highest proportion of students in poverty spend an average \$5,167 per pupil on salaries, and \$3,209 on teacher salaries, compared with \$4,830 and \$3,048 respectively for the middle half of districts
- Spending on benefits in districts across the state average 28 percent of spending on salaries. Town and rural districts spend a slightly higher percent, 34 percent and 31 percent

respectively, and high income districts, with spending on benefits equal to 27 percent of their spending on salaries, spend a relatively lower percent than their poorer counterparts, at 29 percent. We find no difference by district characteristics in the ration of retiree benefits to salary. For each group, the average spending on retiree benefits is 8.4 percent of the spending on salaries.

- The largest difference in the instructional subcategory exists between districts with different proportions of students enrolled in the free/ reduced price lunch program: Districts with high proportions of students enrolled in free/ reduced price lunch programs spend 17 percent more than districts with the lowest proportion of students enrolled in lunch programs.
- Spending on services for students with severe and non-severe disabilities is fairly evenly split in urban districts, with urban districts spending 39 percent of its total special education expenditures on students with severe disabilities and 42 percent on students with non-severe disabilities. Districts in other settings spend far smaller proportions of their total special education dollars on severe cases than on services for non-severe special education students.
- Districts with the highest proportion of black, Hispanic or poor students spend the most on special education overall and the highest percent of special education spending on severely disabled students.
- Elementary districts also spend far less on special education than either high school or unified districts, although they spend more than high school districts on special education for pre-school students.
- Across the board, urban districts spend more than suburban districts and districts with a high proportion of black, Hispanic or poor students, spend more than other districts. This relationship holds for instruction, special education instruction, instruction services, supervision of instruction, pupil services, guidance counseling, psychological serves, health services, pupil testing services, enterprise and plant maintenance and operations. Expenditures on transportation services, food services, general administration and board and superintendent are higher in rural areas, and are generally higher in areas with a lower proportion of black, Hispanic or poor students

IIC. Revenues with Exclusions by District Type

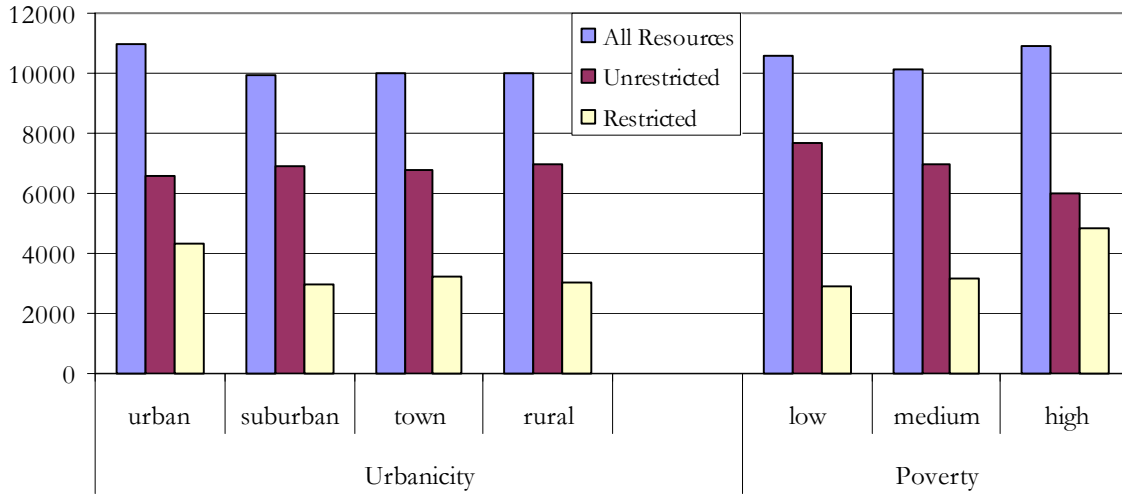
This section provides information on differences across districts in revenues. We use revenues with exclusions, as defined above, because these are the most comparable values to the student spending subcategories, though, as noted above, it is not as good a match as we would have liked. Table 16, below, provides summary statistics for broad revenue categories for districts with 250 or more students. In keeping with the findings for expenditures, we see that urban districts, high school districts and districts with a high proportion of black students or students in poverty have

higher overall revenues than do other districts. These higher revenues are driven almost exclusively by greater restricted revenues. As Figure 6 shows, urban districts and districts with a high proportion of students in poverty receive less unrestricted revenues than their counterparts (e.g. \$6,596 per student in urban areas vs. \$6,917 in suburban areas and \$6,009 in high poverty districts vs. \$7,661 in low poverty districts and \$6,966 in middle poverty districts). However, they receive substantially more restricted revenues. The majority of these restricted funds come from the state, though the federal government also contributes substantial funds, approximately 25 percent of restricted funds and ten percent of total revenues. Revenue differences across districts by the percent of Hispanic students are less dramatic. Districts with a high proportion of Hispanic students have total revenues that are approximately \$550 per student more than middle districts and approximately \$200 less than districts with a low percent of Hispanic students, on average.

Table 16: Revenues by District Type

Variable (\$ / ADA)	All Resources	Unrestricted	Restricted	Revenue Limit	Federal Revenues	Other State Revenues	Other Local Revenues
overall	10438	6771	3667	5118	941	1556	1349
Urbanicity							
urban	10942***	6596*	4346***	5071	1107***	1878***	1459***
suburban	9915	6917	2998	5124	759	1260	1224
town	10027	6789	3238	5424	949	1131	1354
rural	9994	6980	3013	5397*	1019*	1270	1321
Grade Range							
elementary	9430	6424	3006	4903	925	1361	1111
High	12063***	8389***	3674*	5926***	650***	1103***	1489***
unified	10514***	6666	3848***	5066***	985	1678*	1392***
Percent Black							
Low	9609	6583	3026	5184	1159***	1330	1082*
medium	9991	6887	3105	5144	732	1273	1328
High	10795***	6724	4072***	5089	1059***	1764***	1378
Percent Hispanic							
Low	10928*	8039***	2889	5423***	498***	1206	1644***
Medium	10173	6984	3189	5132	768	1348	1318
High	10730**	6277***	4453***	5033*	1257***	1919***	1332
Percent Free or Reduced Price Lunch							
Low	10555	7661***	2893	5324***	405***	1139***	1587***
medium	10115	6966	3148	5115	840	1359	1257
High	10878***	6009***	4870***	4993**	1393***	2103***	1346

Figure 6: Revenues by District Type



High school districts also receive more revenues than elementary or unified districts, and, unlike the differences discussed above, this difference is largely driven by disparities in unrestricted revenues. High school districts receive less federal revenues than other districts and less state revenues, when revenue limit funds are not included.

Table 17 gives the breakdown of local revenues in more detail. Local districts can supplement their revenues, of which the vast majority is determined by the state, through parcel taxes and “Other Local Revenue / Contributions.” We see that parcel taxes make up a very small proportion of total revenues. While low poverty districts and those with a low proportion of Hispanic students raise significantly less than their comparison districts, no group of districts raises a high quantity of funds through the parcel tax. There are a few districts in the state that do, but these do not lead to large differences between groups. Similarly, the “Other Local Revenue Sources including Contributions” category does not account for a large amount of revenue per pupil for any of the groups of districts (\$180 per pupil, on average). These funds are lower in urban districts than suburban districts and lower in both unified and high school districts than in elementary districts. They are substantially higher in low poverty districts (\$314 per pupil) and in districts with a low proportion of Hispanic students (\$417 per pupil). All districts types receive approximately the same amount of lottery revenues (\$148 per pupil, on average).

Table 17: Local Revenue Sources by District Type

	Local Taxes	Parcel Taxes	Lottery Revenues	Other Local Revenue/ Contributions	Other Financing Sources
overall	2150	36	148	180	1293
Urbanicity					
urban	2231	32	147	161**	1267
suburban	2017	39	148	201	1348
town	2863	48	152	225	943
rural	2112	43	138	168	819
Grade Span					
Elementary	2059	48	140	238	891
High	3137***	37	159***	148**	2747***
Unified	2042	33	148*	170***	1223
Percent Black					
Low	1864**	12	139	181	674
Medium	2718	49	148	212	1303
High	1808***	29	148	162**	1344
Percent Hispanic					
Low	4048***	150***	136	417***	1741
Medium	2437	47	143	202	1405
High	1418***	2	154***	112***	1078*
Percent Free or Reduced Price Lunch					
Low	3476***	86***	150**	314***	1786*
Medium	2205	33	141	179	1364
High	1322***	13	154***	111***	932**

Finally, Table 18 gives categorical revenues by district type. Special Education monies are the largest category, and No Child Left Behind (NCLB) Act revenues, Child Nutrition funds and Class Size Reduction Revenues also contribute sizable amounts. Rural districts receive substantially fewer funds from special education programs than do other districts -- \$300 per ADA less than suburban districts and \$500 per ADA less than urban districts. Districts located in towns receive only slightly more in special education funds than do rural districts. Elementary districts receive over \$150 per ADA fewer funds from special education programs than do high school or unified districts. Although districts with the lowest percentage of black students receive significantly more special education monies (almost \$450 per ADA) than do districts with the highest percentages of black students, this trend is reversed for districts with high proportions of Hispanic students and students in poverty. Districts with the highest percentage of Hispanic students receive approximately \$120 per ADA more in special education revenues than do the lowest percentage Hispanic districts, and districts with the highest proportion of students enrolled in the free/ reduced price lunch program

receive approximately \$100 per ADA more in special education funding than do districts with the lowest proportion of students in the free or reduced price lunch program.

Table 18: Categorical Revenue Sources by District Type

	Class Size Reduction Revenues	No Child Left Behind Act	Special Education Monies	Vocational Education Monies	Child Development Funds	Child Nutrition Funds	Staff Development
Overall	224	431	1049	11	80	298	24
Urbanicity							
Urban	181***	529***	1165***	12***	111***	310***	24
Suburban	280	325	964	9	49	280	24
Town	215	452	696	19**	38	289	14
Rural	186	432*	651**	7	43	333*	16
Grade Span							
Elementary	291	423	911	0	67	321	25
High	57***	262***	1079**	28***	6***	237***	19
Unified	231*	456	1081	11***	93*	298*	24
Percent Black							
Low	202	572***	700*	9	64	360	17
Medium	220	317	942	9	42	268	22
High	233	493***	1141***	12**	105	310	25
Percent Hispanic							
Low	214***	184***	1003	7	14***	182***	19
Medium	224	329	1000	9	72	259	22
High	233***	614***	1121**	14***	102***	369***	27**
Percent Free or Reduced Price Lunch							
Low	167**	128***	1058	7*	20***	173***	21
Medium	252	366	972	10	71	290	22
High	223	698***	1155***	13***	126	376	27

NCLB funds come from the federal government for various school and teacher programs. Urban districts receive significantly more NCLB funds than do other districts – approximately \$200 per pupil more than suburban districts receive. High school districts receive significantly fewer NCLB funds than do elementary and unified districts. Districts with a high percent of black or Hispanic students or students in poverty receive more NCLB funds than do districts with a mid-level percent. For Hispanic students and students in poverty, the differences are quite large: Districts with the highest proportion of students enrolled in the free/ reduced price lunch program receive over five times the amount of NCLB revenues as do districts with the lowest proportions of free/ reduced price lunch students; and districts with the highest percentage of Hispanic students receive approximately \$430/ADA more in NCLB revenues than do the lowest percentage Hispanic

districts. These disparities in NCLB funding levels are not surprising, given NCLB's focus on students in poverty.

Districts with 250 students or more receive, on average, \$300 per ADA for child nutrition funds. Urban and rural districts receive significantly more funds for child nutrition than do suburban districts and districts in towns. Elementary districts receive the most in funding for child nutrition programs, and high school districts receive the least. Districts with the highest percentage of Hispanic students receive almost twice the amount of child nutrition funds as do the lowest percentage Hispanic districts; though, surprisingly, districts with the lowest percentages of black students receive the most child nutrition funds -- \$50/ADA more than high percentage black districts and almost \$100/ADA more than medium percentage black districts. Districts with the highest percentage of students enrolled in the free/ reduced price lunch program receive approximately twice as many child nutrition funds as do districts with the lowest percentages of students enrolled in the free/ reduced price lunch program.

As should be expected because of the Class Size Reduction (CSR) program's focus on Kindergarten through third grade classrooms, elementary districts receive approximately six times more CSR revenues than do high school districts, and \$60 per ADA more than unified districts. Urban districts receive significantly fewer funds from CSR programs than do other districts -- approximately \$100/ADA less than suburban districts. Alternatively, districts with low proportions of students enrolled in the free/ reduced price lunch program also receive significantly fewer CSR funds than do districts with medium and high proportions of their students enrolled in the free/ reduced price lunch program.

The final column of Table 18 gives the numbers for staff development funds. Districts with 250 students or more only receive \$24 per ADA in staff development funds. There are no significant differences in funding for staff development programs between districts by urbanicity, grade level, or the percent of black students or students in poverty. Districts with the highest percentage of Hispanic students receive significantly more funds for staff development programs than do districts with medium or low proportions of Hispanic students, but the differences are very small. Regression analysis tables can be found in Appendix B.

Summary

In summary, among the main findings comparing revenues across district type are:

- Urban districts, high school districts and districts with a high proportion of black students or students in poverty have higher overall revenues than do other districts. These higher revenues are driven almost exclusively by greater restricted revenues
- High school districts also receive more revenues than elementary or unified districts, and, unlike the differences discussed above, this difference is largely driven by differences in unrestricted revenues. High school districts receive fewer federal revenues than other districts
- While low poverty districts and those with a low proportion of Hispanic students raise significantly less than their comparison districts, no group of districts raises substantial funds through the parcel tax.

IID. Expenditures for Basic Aid vs. Non-Basic Aid Districts

Under the school finance equalization plan implemented in response to *Serrano v. Priest* (1972), the state sets a pre-defined per-student revenue limit for each school district that specifies the maximum amount of base funding it receives. For more than 90% of California school districts each year, this revenue limit exceeds the amount of per-student funding that districts could otherwise raise from allowed local sources. For these districts, the state supplements local funds to make up the difference between what the district raises locally and the revenue limit. The remaining school districts—typically called “basic aid districts” because they receive only the constitutionally mandated minimum amount of \$120 per student from the state—are capable of raising more than their revenue limit from local sources because they have larger property tax bases.

These districts do not have flexibility to raise additional funds, but are allowed to keep the funds they raise by the mandated local taxes. Because these funds, by definition, exceed what the state would have assured them, these districts have greater *base* revenue than other districts. However, because so much of California funding comes from other revenue sources, mainly categorical grants, it is not clear whether these districts receive more in total revenue or spend more than other districts. It is likely, however, that a greater proportion of funds for these districts come from unrestricted sources. Because of this, the distribution of expenditures across expenditure areas may differ between basic aid and non basic districts.

Basic aid districts do differ in meaningful ways from other districts. They tend to be smaller, with lower population growth, have a lower percent of black (2.3 vs. 8.4 percent) and Hispanic (20.1 vs. 46.4 percent) students, and students receiving free or reduced price lunch (17.8 vs. 49.4 percent).

They also have a higher income population (\$75,090 vs. \$47,841 median household income), who are more highly educated (49.4 vs 23.1 percent college graduates).

In this section we examine whether basic aid districts indeed spend more than their non-basic aid counterparts. We also explore whether basic aid districts’ greater financial freedom leads them to allocate their budgets differently. Note that we continue to exclude districts with fewer than 250 students from these analyses.

As Table 19 shows, basic aid districts spend substantially more than non-basic aid districts. Calculating across all funds, we see that basic aid districts spend \$14,160 per student on average while non-basic aid districts spend only \$10,475, a 35 percent difference. Focusing on general fund expenditures only, basic aid districts spend \$8,981 to non-basic aid districts’ \$7,327, a 23 percent difference. Basic aid districts also spend substantially more in student spending categories. Incorporating all funds, basic aid districts spend on average \$9,393 per ADA on student spending, or 17 percent more than non-basic aid districts (\$8,028). This difference in levels occurs despite the fact that basic aid districts allocate less of their overall budget to student spending than do non-basic aid districts (70 percent of all funds vs. 78 percent of all funds).

Table 19: Comparing Basic-Aid and Non-Basic-Aid Districts Broad Expenditure Categories

	Basic Aid Districts		Non-Basic Aid	
	Dollars	Percent	Dollars	Percent
<i>All funds</i>				
Total Expenditures	14160***		10475	
Spending on Students	9393***	69.95%***	8028	78.06%
Infants, Pre-K & Adults	262	1.98%	187	1.70%
Capital Outlay & Facilities	3330***	20.29%**	1607	14.39%
Debt	989***	6.43%*	475	4.18%
Retiree Benefits	80	0.59%	87	0.77%
Non-LEA & Community	103	0.73%	78	0.76%
PERS Reductions	9***	0.07%***	22	0.22%
<i>General fund only</i>				
Total Expenditures	8981***		7327	
Spending on Students	8774***	97.74%*	7083	96.77%
Infants, Pre-K & Adults	4	0.06%	11	0.14%
Capital Outlay & Facilities	49	0.52%	54	0.71%
Debt	11	0.13%	18	0.25%
Retiree Benefits	79	0.87%	81	1.04%
Non-LEA & Community	57	0.60%	64	0.86%
PERS Reductions	8***	0.09%***	19	0.26%

Basic aid districts spend 107 percent more on capital outlay on average than do non-basic aid districts (\$3,330 per student vs. \$1,607 per student). Despite higher revenues, basic aid district spending does not significantly differ from non-basic aid spending in the areas of retiree benefits or non-agency and community spending. Though basic aid districts spend more in most broad categories, the *fraction* of the overall budget that they allocate to each category is similar to the choices made by non-basic aid districts. One exception is spending on capital outlay; basic aid districts spend 20 percent of total funds on capital while non-basic aid districts spend only 14 percent on average.

Table 20: Comparing Basic Aid and Non-Basic Aid Districts' Student Expenditures

	Basic Aid		Non-Basic Aid			Basic Aid		Non-Basic Aid	
	OBJECT CODE					FUNCTION CODES			
Total salaries	5976***	63.97%	4908	61.70%*	Instructional Services	1057*	11.36%	920	11.32%
Teacher salaries	3674***	39.39%	3094	39.07%	Supervision of Instruction	252	2.72%	297	3.48%
Admin salaries	579***	6.22%	418	5.25%***	Pupil Services	838	8.98%	798	9.95%*
Other certificated salaries	323	3.46%	272	3.32%	Guidance & Counseling	184*	1.92%	133	1.65%
Other classified salaries	1400***	14.90%	1124	14.06%*	Psych & Social Work	118*	1.25%	89	1.12%
Benefits	1611***	17.21%	1401	17.57%	Health	52	0.56%	66	0.80%*
Retiree benefits	509***	5.45%	413	5.19%*	Testing	8	0.10%	7	0.09%
	GOAL CODE				Transportation	193	2.07%	180	2.23%
General Ed: K-12	5404***	57.87%	4461	56.04%	Food	248*	2.74%	287	3.61%***
Regular Ed: K-12	5277***	56.52%	4314	54.24%	Ancillary	86**	0.88%	39	0.49%*
Locally Defined	207***	2.14%	21	0.25%***	Enterprise	137*	1.36%	405	4.47%*
Special Ed	1171	12.75%	1033	12.67%	General Admin	636***	6.72%	399	5.05%***
Severely disabled	283	3.21%	341	3.99%	Board & Supt	78**	0.79%	44	0.54%
Non-severely disabled	678***	7.20%	504	6.45%	Plant	987***	10.50%	744	9.36%**
	FUNCTION CODES				M&O	409	4.41%	464	5.69%
Instruction	5512***	58.94%	4642	58.47%	Books & Supplies	285	2.95%	265	3.28%
Spec Ed Instruction	922*	9.98%	773	9.58%	Services & Operations	209	2.21%	173	2.11%

Table 20 describes differences in the types of student spending between basic aid and non-basic aid Districts.²⁴ Basic aid districts spend significantly more both on total salaries and on almost every salary category in per-student terms. In particular, basic aid districts spend \$3,674 per student on teacher salaries and \$579 per student on administrator salaries compared to \$3,094 and \$418, respectively, for non-basic aid districts. Differences in administrator spending are partly due to allocation differences; basic aid districts spend 6.2 percent of their total budgets on administrator salaries while non-basic aid districts spend only 5.3 percent, a statistically significant difference. Spending on teacher salaries for both types of districts makes up the same fraction of the overall budget, however: 39 percent. Basic aid districts spend approximately 15 percent more on employee benefits in per-student terms than do non-basic aid districts. This spending constitutes an almost identical fraction of the overall budget (around 17.5 percent) for the two kinds of districts.

As defined by the goal codes in SACS, basic aid districts spend 18 percent more on instruction (\$6,614 vs. \$5,594 per student). Most of this difference in instructional spending can be attributed to differences in regular K-12 instructional spending, the largest subcategory. Basic aid districts spend 22 percent more on average on regular K-12 educational activities than do non-basic aid districts (\$5,277 to \$4,314). The fraction of the overall budget allocated to regular K-12 activities is not significantly different between basic aid and non-basic aid districts, however. Non-basic aid districts spend significantly more per-student than basic aid districts on bilingual education (\$65 vs. \$19 per student, or 242 percent more). Though this spending is a very small part of the overall budget, the difference in allocation is statistically significantly different: non-basic aid districts allocate 0.78 percent of their budgets to bilingual education on average while basic aid districts allocate just 0.20 percent. These differences likely reflect the demographic differences between the two types of districts. There are not significant differences in per-student spending between the two types of districts on vocational education spending or Regional Occupational Centers and Programs spending.

Basic aid and non-basic aid districts allocate similar proportions of their overall budgets to special education: just under 13 percent. This results in slightly higher spending on average in basic aid districts (\$1,171 vs. \$1,033 per student), though the variation in spending across all kinds of

²⁴ Because we want to discuss the broadest possible definition of expenditures, for the remainder of this section we focus on calculations that incorporate all funds. Since most line items in the class of expenditures we label “Student Spending” come from the general fund, most differences in totals between fund definitions—i.e. all funds vs. general fund only—for our calculations in the various Student Spending subcategories that we discuss here are marginal. Calculations for both fund definitions are included in Table D3 in Appendix D.

districts for special education spending makes this difference statistically indistinguishable from zero. There do appear to be some differences in the categories of students on which basic aid and non-basic aid districts spend special education funds. Non-basic aid districts spend slightly more on special education for severely disabled students (\$341 per student) than do basic aid districts (\$283), though again this difference is not significantly different from zero. Basic aid districts, however, spend significantly more on non-severely disabled special education than do non-basic aid districts (\$678 vs. \$504), a statistically significant difference at any reasonable level. Basic aid districts spend significantly more on special education instruction than do non-basic aid districts (\$922 vs. \$773 per student, on average), but the proportion of funds spent on this is similar.

On the whole, basic aid districts allocated their funds in a very similar way, on average, to Non-basic aid districts. While basic aid districts spend 19 percent more on instruction than do non-basic aid districts (\$5,512 vs. \$4,642 per student) , this spending is just under 59 percent of total district spending for both kinds of districts. Similarly, the two types of districts spend approximately the same proportion of their funds on instructional services, supervision of instruction, guidance and counseling, psychological services and social work, testing, transportation, school board and superintendents, maintenance and operations, books and supplies and services and operations. There are a few differences worth noting: basic aid districts spend a slightly higher proportion of funds on general administration (6.7% v. 5.1%) and on the physical plant (10.5% vs. 9.4%), and a slightly smaller percent of their funds on pupil services (9.0% vs. 10.0%) and on food (2.7% vs. 3.6%).

Summary

This section compares basic aid district with non-basic aid districts. It finds:

- Basic aid districts spend more than other districts.
- They spend a higher proportion of their funds on non-student spending, including 107 percent more on capital outlay on average than other districts
- Within student spending, the distribution of spending across sub-categories is remarkably similar, though basic aid districts spend a slightly higher fraction on administration.
- Basic aid and non-basic aid districts allocate similar proportions of their overall budgets to special education, just under 13 percent; but basic aid districts spend a higher fraction of these funds on non-severely disabled students.

Section III: Analysis of California School District Personnel

This section of the report combines the SACS data with personnel data from the California Basic Educational Data System (CBEDS) to analyze the pupil-teacher, pupil-administrator, pupil-pupil services personnel, and pupil-“other full-time” and “other part-time” personnel ratios. We also examine how districts vary by the percent of teachers who are fully credentialed, the percent of teachers in the districts who are long-term substitutes, the percent of teachers who have tenure, the mean teaching experience of teachers and mean district teaching experience of teachers within the districts, and the percent of district teachers who are certificated to teach special education. These data can provide a better understanding of the district labor force, which can in turn provide context to help explain differences in revenues and expenditures across districts.

Table 21 provides the mean values of these CBEDS variables overall, and across districts of different types. Tables E1 and E2 in Appendix E provide simple OLS analyses of the relationships between these personnel variables and the district characteristics. The second of these tables includes district expenditures on students. On the whole, the OLS regression analyses uphold the findings from the simple t-tests discussed below.

Pupil-Teacher Ratio

California students, on average, attend schools with 20.57 students per teacher. There is not wide variation, on the whole, in the pupil-teacher ratios of different district groupings. One of the largest differences between district groupings in pupil-teacher ratios is between elementary, unified and high school districts: high school districts have a mean pupil-teacher ratio of 22.42 students per teacher, versus 20.01 and 20.47 students per teacher in elementary and unified districts, respectively. This likely reflects California’s class size reduction program, which focuses on elementary grades rather than high schools.

Districts in towns and rural areas have fewer pupils per teacher: the mean pupil-teacher ratio in towns is 18.6 students per teacher, and in rural areas the ratio is 19.39 to 1, as compared to 20.37 and 20.93 to 1 in urban and suburban areas, respectively. There is little difference in the pupil-teacher ratios between districts with low, medium, or high percentages of students who are black or Hispanic. All districts, regardless of black or Hispanic student presence, have between 20 and 21 students/ teacher. Interestingly, districts with fewer students on the free/ reduced price lunch

program have a slightly higher student-teacher ratio than districts with more students in the free/reduced-price lunch program. However, this difference is again small – only one student.

Table 21: Pupil-Staff Ratios by District Type

	Pupil-Teacher Ratio	Pupil-Admin Ratio	Pupil-Pupil Services Ratio	Pupil-Other FT Ratio	Pupil-Other PT Ratio
Overall	20.57	287.41	329.90	83.35	105.56
Urbanicity					
Urban	20.37***	266.72***	294.57***	78.74*	104.51
Suburban	20.93	313.17	352.47	89.00	110.18
Town	18.62***	246.82**	397.21	68.03	55.84
Rural	19.39***	250.06***	536.88***	82.08	85.55
Grade Level					
Elem	20.01	298.78	422.00	113.86	111.73
High	22.42***	299.04	277.04***	59.55***	155.34
Unified	20.47*	282.42*	312.86***	78.19***	97.67
Percent Black					
Low	20.74	259.91***	433.17	74.86*	99.62
Medium	20.94	307.23	368.74	96.57	94.22
High	10.31***	276.56***	298.73***	75.77***	113.36
Percent Hispanic					
Low	20.05	303.18	336.73	94.83	83.83
Medium	20.55	298.18	329.75	90.18	114.46
High	20.66	269.39***	329.68	72.24***	97.78
Percent Free or Reduced Price Lunch					
Low	21.32***	329.31***	326.63	98.40*	86.91
Medium	20.45	293.47	340.76	87.52	114.72
High	20.30	254.35***	316.49	68.99***	102.93
Total Expenditures/ ADA - Def 1					
Low	21.17*	315.30	387.68***	102.70***	109.90
Medium	20.81	305.19	320.91	82.72	115.53
High	19.45***	223.39***	288.87	64.70***	81.05
Total Student Expenditures/ ADA - Def 1					
Low	21.30*	325.69***	384.45**	98.04*	109.97
Medium	20.92	300.67	337.52	86.67	121.28
High	19.18***	225.28***	263.34***	62.88***	71.27

In the previous analyses we looked only at the above characteristics of districts. However, here we can also look at staffing ratios by district expenditure level. The last two panels of Table 21 compare these ratios across the top quarter, middle half, and bottom quarter of districts based on total expenditures and on student expenditure. As might be expected, there is a linear relationship between district spending and pupil-teacher ratio: districts with the highest total-expenditures and those with the highest student-expenditures have lower pupil-teacher ratios.

Pupil-Administrator Ratio

There is wider variation in the ratio of administrators to students between district types. On average, districts with 250 or more students have 287.4 students for each one administrator. Suburban districts have the fewest administrators for each student, with a pupil-administrator ratio of 313.2 students per administrator. The pupil-administrator ratio in urban districts, at 266.7 students for each administrator, is the next highest. Interestingly, it does not appear that the variation in pupil-administrator ratios is due to district type: Elementary and High school districts are virtually identical, with 299 students for each administrator. Unified districts have 17 fewer students for each administrator on average, a difference that is significant only at the 0.05 level.

There are significantly fewer administrators in districts with low percentages of students on the free/ reduced-price lunch program, even once we control for district expenditures. As expected, districts with low spending have the fewest administrators per pupil, and districts with the highest spending have the most administrators per pupil. This trend is consistent among all four spending definitions.

Pupil-Pupil Services Personnel Ratio

Pupil services personnel, according to the CBEDS definition, are those employees who require a standard designated services credential, health, development credential, or a librarian credential and who perform direct services for the pupils. This grouping includes counselors, guidance and welfare personnel, librarians, and psychologists, among others. On average, one pupil services personnel services 330 students in California schools. There are significantly more pupil services personnel in urban districts, and significantly fewer pupil services personnel per student in rural districts. In fact, there are almost twice as many pupil services personnel per student in urban than in rural districts. Much of the variation in the pupil-pupil services personnel ratio also comes from differences between different level districts: elementary school districts have an average of 422 pupils per pupil service personnel, compared to only 277 students per pupil services personnel in high schools. Unified districts fall in between elementary and high school districts, with an average ratio of 312.9 to one. There are not differences in pupil service personnel by the percent of Hispanic students or by the percent of students on free or reduced price lunch, but, interestingly,

districts with the lowest percentages of black students have the highest pupil-pupil services personnel ratios.²⁵

Again, district spending follows the predictable trend: districts with the lowest spending according to both definitions have the highest pupil-pupil services ratios, and the highest spending districts have the lowest ratios. The lowest spending districts have between 100 and 120 more students for each pupil services employee than do the highest spending districts.

Pupil-Other Full-Time/ Part-Time Ratios

“Other Full-Time” Personnel include full time classified paraprofessional staff (i.e. – teaching assistants, teacher aides, pupil services aides and library aides), full-time office or clerical staff, such as the school secretary, and any other non-certificated staff who are not administrators, such as custodians, bus drivers, and cafeteria workers. “Other Part-Time” Personnel include the same group as included in “Other Full-Time” personnel, except they are part-time workers.

On average, districts employ approximately 83 students for every “other full time” employee, and 106 students for every “other part time” employee. High school districts have significantly more “other full time” employees per student than do elementary or unified districts and unified districts have more than do elementary schools. Districts with the most students in poverty hire the most in this area. This trend holds for black and Hispanic student populations as well, but is not significant in the multivariate models.

Percent of Fully Credentialed Teachers

In addition to providing data on staff ratios, CBEDS includes information on characteristics of teachers. Table 22 summarizes this information. On average, 92 percent of teachers in California districts are fully credentialed. There is not huge variation in this figure, most likely because of the requirement that all teachers be certified. However, we do find some interesting trends. Only 89 percent of teachers in high school districts are fully credentialed, as opposed to 94 percent of teachers in elementary school districts and 92 percent in unified districts.

Districts with the lowest percentages of Hispanic students have the highest percent of fully credentialed teachers (96 percent of teachers in districts with low percentages of Hispanic students are fully credentialed, as opposed to only 90 percent of teachers in districts with high percentages of Hispanic students), though these differences are not significant in a multivariate framework. There is

²⁵ These differences by the percent of black students do not hold up in the multivariate models.

a similar trend in districts according to the percent of students enrolled in the free/ reduced-price lunch program: 95 percent of teachers in districts with the lowest percentages of students in free/ reduced-price lunch programs are fully credentialed, as compared to only 90 percent in districts with the highest percentages of students enrolled in the lunch program. We do not see the same pattern, or the same extent of variation, among districts with different percentages of black students. The pattern by poverty status is interesting, especially in light of the fact that districts with a greater proportion of students in poverty, have greater expenditures, on average. In fact, districts with higher total expenditures have a lower proportion of fully certified teachers.

Table 22: Teacher Characteristics by District Type

	% of Teachers Fully Credentialed	% of Teachers Long-Term Subs	% of Teachers with Tenure	Mean Teaching Experience	Mean District Experience	% of Teachers Certified to Teach Special Ed
Overall	0.92	0.05	0.65	13.25	10.76	0.12
	Urbanicity					
Urban	0.91*	0.05	0.58***	13.14	11.01***	0.12
Suburban	0.92	0.06	0.73	13.25	10.46	0.12
Town	0.97*	0.06	0.74	16.07***	12.52***	0.11***
Rural	0.92	0.03*	0.69	13.53	10.12	0.10
	Grade Level					
Elem	0.94	0.06	0.72	13.22	10.47	0.12
High	0.89***	0.05	0.68	13.82*	10.70	0.12
Unified	0.92***	0.05	0.63***	13.16	10.82*	0.12
	Percent Black					
Low	0.91**	0.04**	0.71	14.41*	11.48*	0.10**
Medium	0.93	0.07	0.73	13.70	10.74	0.12
High	0.91***	0.04***	0.60***	12.85***	10.69	0.13***
	Percent Hispanic					
Low	0.96***	0.07	0.75	14.82***	10.99	0.12
Medium	0.93	0.06	0.72	13.45	10.69	0.12
High	0.90***	0.04***	0.55***	12.67***	10.78	0.12**
	Percent Free or Reduced Price Lunch					
Low	0.95***	0.07	0.74	13.99*	10.62	0.12
Medium	0.92	0.06	0.71	13.26	10.62	0.12
High	0.90***	0.04***	0.52***	12.78**	10.99**	0.12**
	Total Expenditures per ADA – All Funds					
Low	0.93**	0.05*	0.72	13.62	10.88	0.11*
Medium	0.92	0.07	0.72	13.39	10.71	0.12
High	0.90**	0.03***	0.46***	12.59***	10.72	0.13***
	Total Student Expenditures per ADA – All Funds					
Low	0.93***	0.05	0.72	13.28	10.18***	0.12
Medium	0.92	0.06	0.71	13.49	10.91	0.12
High	0.90*	0.04***	0.48***	12.77***	11.03	0.13**

Percent of Teachers who are Long-Term Substitutes

Approximately five percent of teachers in California districts are long-term substitutes. Districts with the lowest percentages of Hispanic students and students enrolled in the free or reduced price lunch program have the highest percentage of long-term substitutes (seven percent), as compared to districts with the highest percentage of Hispanic and free or reduced-price lunch students (four percent). This indicates that there are more long-term substitutes in schools with the fewest of these students. This trend does not hold for districts with percentages of black students, where we see a U-shaped relationship. Approximately four percent of teachers in districts with the least and most percentages of black students are long-term substitutes, as compared to seven percent in districts with medium percent of students who are black.

There is little significant variation in the percent of teachers who are long-term substitutes by urbanicity, except that a significantly lower percent of teachers in rural districts are long-term substitutes (three percent in rural districts, as compared to six percent in suburban districts and districts in towns, and to five percent in urban districts). There is no significant difference between the percent of teachers who are long-term substitutes by district type.

Percent of Teachers with Tenure

Approximately 65 percent of teachers in California districts are tenured, on average. Districts with the highest percentage of black students have the lowest percentage of tenured teachers (60 percent in districts with the highest percent of black students and 71 percent in districts with the lowest percent of black students). This same trend holds for districts by the percent of Hispanic and free or reduced price lunch students. Only 55 percent of teachers are tenured in districts with the highest percentage of Hispanic students, as compared to 75 percent of teachers in districts with the lowest percentage of Hispanic students. Similarly, 52 percent of teachers are tenured in districts with the highest percentage of students enrolled in the free or reduced price lunch program, as compared to 74 percent of teachers in districts with the lowest percentage of students enrolled in the free/ reduced-price lunch program.²⁶

There is significant variation in the percent of teachers who are tenured across district type by urbanicity and level. Only 58 percent of teachers in urban districts are tenured, as compared to 73 and 74 percent in suburban districts and districts in towns, respectively. 69 percent of teachers in rural districts have tenure. Unified districts have the lowest percent of tenured teachers, with only 63

²⁶ In the multivariate models only the results for the percent of black students are significant.

percent of teachers having tenure in these districts, as compared to 72 percent in elementary school districts, and 68 percent in high school districts. Though not presented in the table, districts that are growing also have fewer tenured teachers.

Interestingly, the highest spending districts have the lowest percentages of tenured teachers. Only 48 percent of teachers are tenured in districts with the highest student spending, as compared to 72 percent of the lowest-spending districts and 71 percent of the medium-spending districts. These differences do not hold up in the multivariate models.

Teacher Years of Experience

California teachers have, on average, 13.25 years of teaching experience. Teachers in districts with the highest percentages of black and Hispanic students and students enrolled in the free/reduced-price lunch program have the least amount of teaching experience. Teachers in the highest percent black and Hispanic districts have about 1.6 and 2.2 fewer years of experience respectively than those in the lowest and medium percent black districts, on average. Teachers in the highest percent free/reduced-price lunch districts have, on average, 1.2 fewer years of experience than do teachers in the lowest percent free/reduced-price lunch districts.

Teachers in districts located in towns have significantly more teaching experience than do teachers in any other districts, with an average of 16.1 years of teaching experience. This is compared to an average of 13.1 years in urban districts, 13.3 years of experience in suburban districts, and 13.5 years of experience in rural districts. There is no substantial difference in teaching experience between elementary, high school and unified districts.

Interestingly, the highest spending districts have the least-experienced teachers. This is in accordance with our finding that the highest spending districts also have the fewest teachers with tenure. The magnitude difference is not great, with only 0.4 to 1 year of experience difference between the highest and lowest spending districts, but it is significant across all four definitions.

On average, California teachers have about 11 years of teaching experience in their own districts, as compared to 13 years of total teaching experience. The trends in within district experience are similar to those for overall experience.

Summary

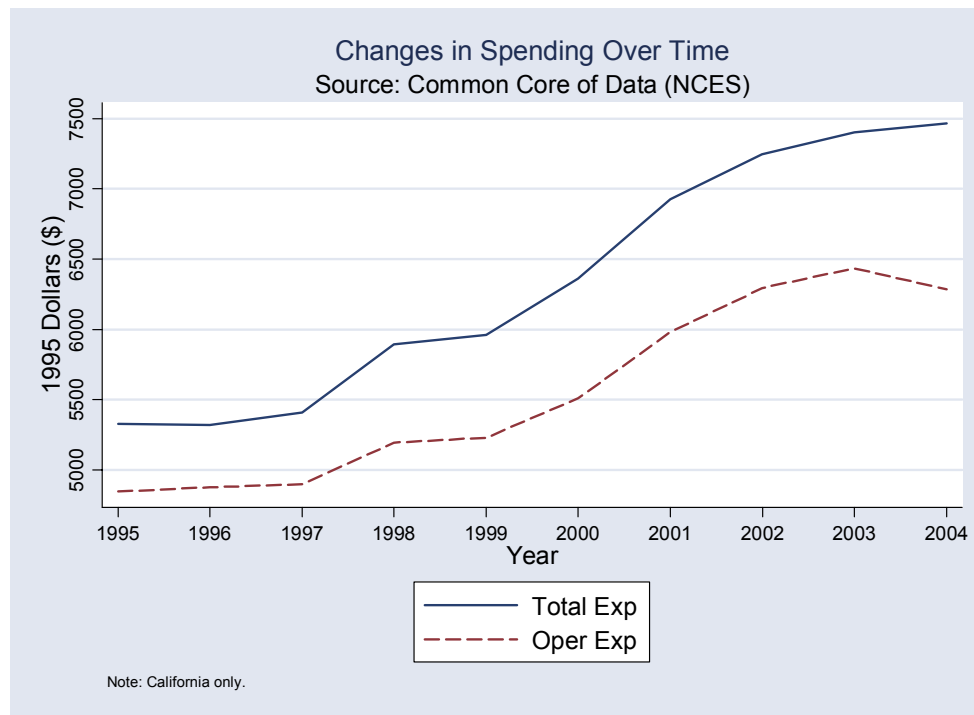
This section describes staffing patterns across California districts. It finds:

- California students, on average, attend schools with 20.57 students per teacher, with high school district ratios at approximately two students per teacher more than other districts.
- There is wider variation in the ratio of administrators to students between district types than in teachers to students, though little difference exists on average among elementary, high school and unified districts. On average overall, districts have 287.4 students for each one administrator. Rural and town districts have the most administrators for each student. There are significantly fewer administrators in districts with low percentages of students on the free/ reduced-price lunch program, even once we control for district expenditures.
- On average, one pupil services personnel services 330 students in California schools. High school districts employ more of these staff, as do non-rural school districts.
- On average, districts employ one “other full time” employee for every 83 students, and one “other part time” employee for every 106 students, with high school districts and districts with the highest percent of students in poverty hiring the most of these workers.
- 92 percent of teachers in California districts are fully credentialed, with lower rates in high school districts and in districts with a high proportion of students on free or reduced price lunch. The pattern by poverty status is interesting, especially in light of the fact that districts with a greater proportion of students in poverty, have greater expenditures, on average. In fact, districts with higher total expenditures have a lower proportion of fully certified teachers.
- Approximately five percent of teachers in California districts are long-term substitutes, while approximately 65 percent have tenure. There is substantial variation in the percent of tenured teachers across district type, with growing districts, urban districts and districts with high percentages of black, Hispanic or poor students having the lowest percent.
- California teachers have, on average, 13 years of teaching experience overall and 11 years within their current district. Teachers in districts with the highest percentages of black and Hispanic students have the least amount of teaching experience, on average.

Section IV: California Over Time

This section examines changes in school district spending in California over the last decade. Because SACS is only available for two years, the data used in this section come from financial surveys of the National Center for Education Statistics' (NCES) Common Core of Data (CCD). Unfortunately, the CCD financial data categories do not map perfectly to the data categories calculated using the SACS data. While spending definitions may vary somewhat between the two data sources, category totals are quite similar. The CCD financial data are available for 1995 through 2004. All elementary, secondary and unified districts are included and all spending totals have been converted to 1995 real dollars using a Consumer Price Index deflator provided by the Bureau of Labor Statistics. Using real dollars removes the influence of inflation, which would otherwise lead us to overstate increases in spending over time.

Figure 7



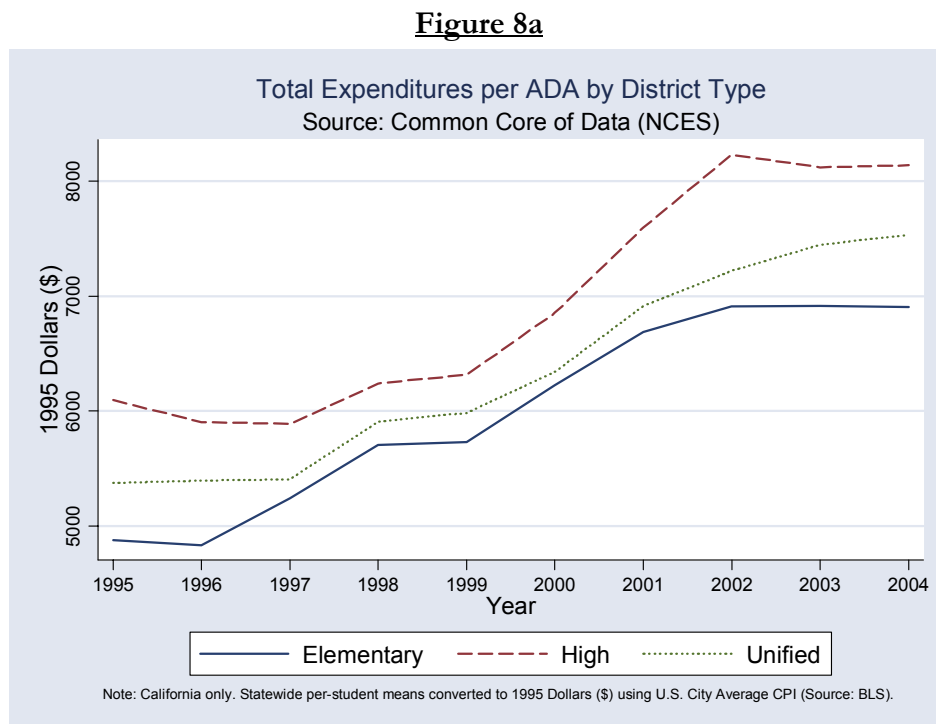
Even in real terms, however, school district spending in California increased dramatically between 1995 and 2004. Figure 7 shows the growth in both total expenditures and operating expenditures (defined as total expenditures minus spending on capital outlay). Mean total spending per student increased from a low of \$5,329 in 1995 to a high of \$7,463 in 2004. In real terms, that is a ten-year growth in spending of 40 percent. Operating expenditures, though dropping off

somewhat between 2003 and 2004, showed similar growth. In 1995, mean per-student operating expenditures were \$4,847; by 2004 they were \$6,285, an increase of 30 percent in real terms.

Did this pronounced increase in spending occur across all districts? To provide a more comprehensive picture of this growth in California school spending, we examine spending changes during the 1995-2004 time period across three different district classifications:

- school level – elementary, high school and unified districts;
- size categories – all districts at the 25th percentile or below in average daily attendance (ADA) in a given year are “Low ADA,” between the 25th and 75th percentile are “Medium ADA,” and above the 75th percentile are “High ADA;” and
- poverty – in similar Low, Medium and High categories.

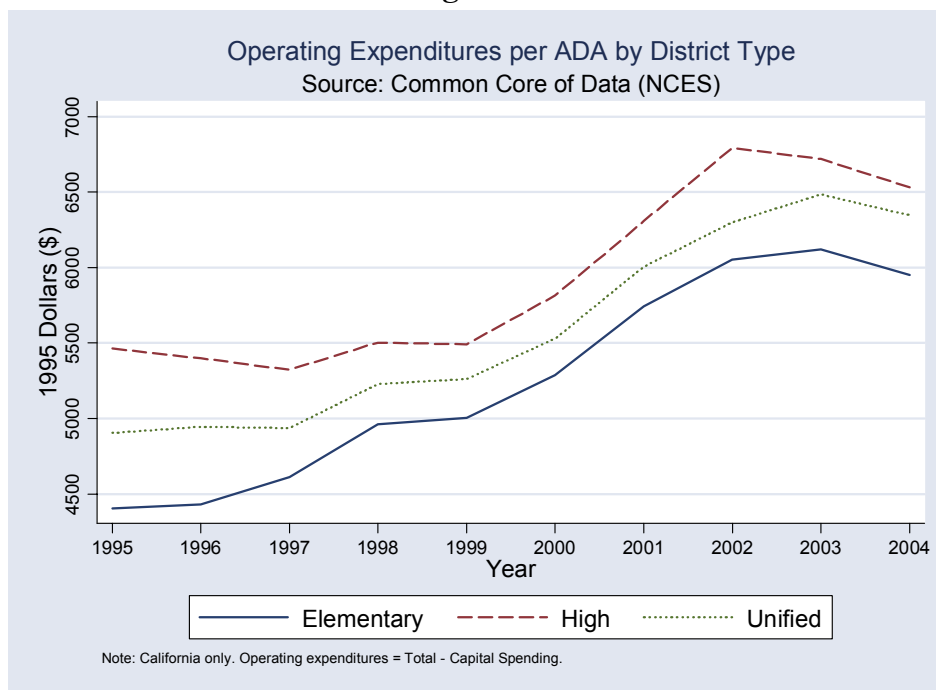
Figure 8a shows the changes in total per-student expenditures between 1995 and 2004 for elementary, high and unified districts.



High school districts spent more than unified districts in 1995, and unified districts in turn spent more than elementary districts. This pattern is consistent across years, though growth in secondary districts appears to outpace growth in unified and elementary districts. Nonetheless, all three district types saw substantial growth in total spending between 1995 and 2004. As shown in Figure 8b, operating expenditures followed a similar trend. High school districts spent the most and elementary districts spent the least throughout the period. However, the dispersion between the

three district types appears to have lessened since the mid-1990s. We also see slight declines in operating expenditures for all three district types in the last two to three years of data.

Figure 8b



Next we look at spending growth in districts broken down by district size, as shown in Figures 9a and 9b. Again, we see substantial growth in total spending regardless of district size. However, we see that while medium and large districts grew at similar rates, spending in districts with the fewest students grew faster. In particular, total spending was very similar across district sizes in 1995 and 1996 but grew to be quite different by 2003 and 2004. In 1995, low-ADA districts spent \$5,495 per student on average, while high-ADA districts spent \$5,343, a difference of just \$152 (or less than 3 percent). While spending in high-ADA districts grew by 40 percent between 1995 and 2004, spending in low-ADA districts grew by 52 percent. The result was that by 2004, low-ADA districts spent \$8,337 in 1995 dollars while high-ADA districts spent just \$7,493. This is a difference of \$844, or 11 percent.

Figure 9b shows that this outpacing of smaller districts in spending growth relative to their bigger counterparts is reflected in operating expenditures as well. While the growths in operational expenditures in medium- and high-ADA districts track very closely with one another, growth in the smallest districts was steeper, particularly between 1997 and 2003.

Figure 9a

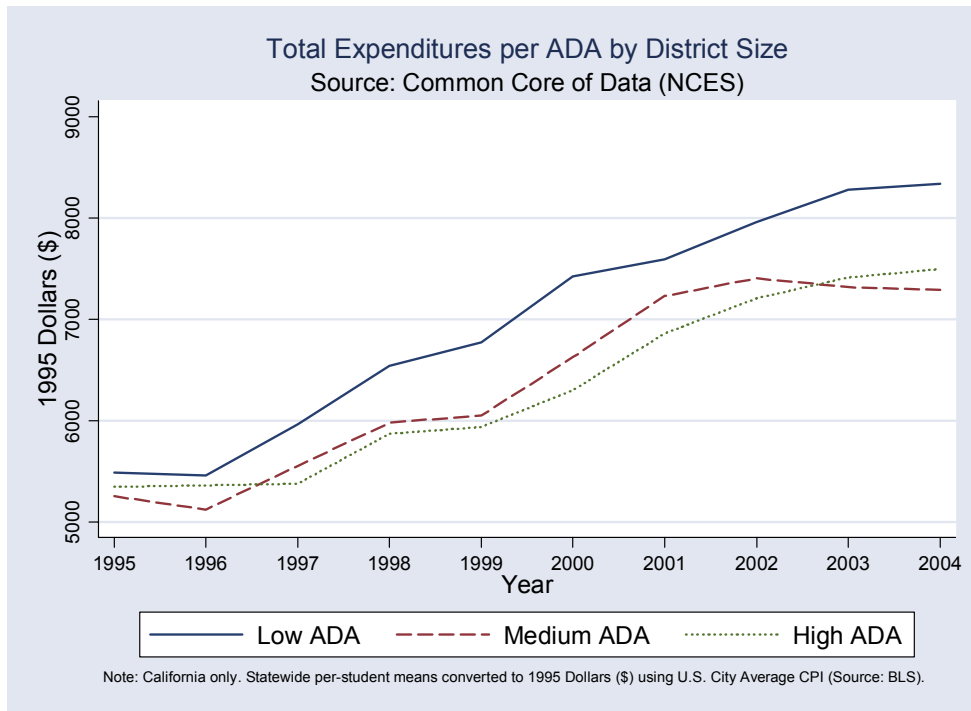
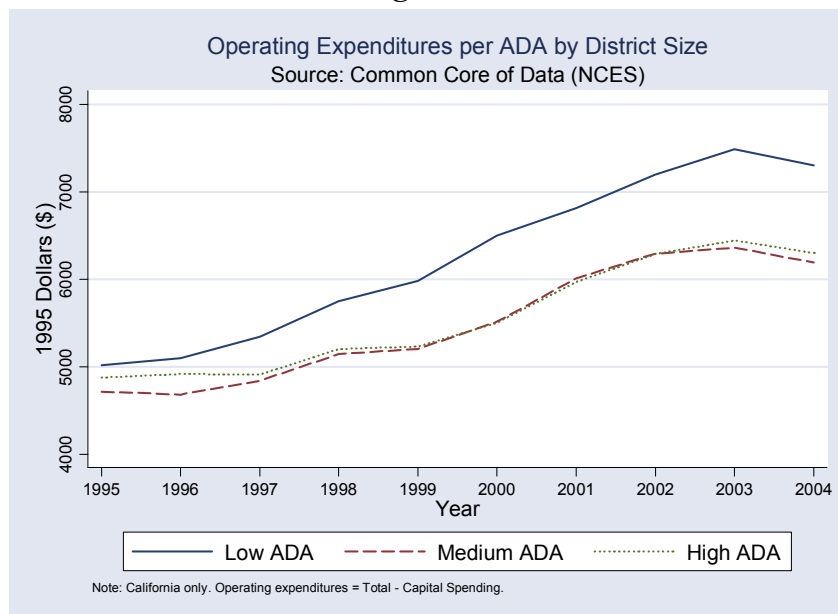


Figure 9b



While we do see differences in spending growth among districts of different grade ranges and sizes, Figure 10a shows that these differences did not translate into different growth patterns for districts serving disparate proportions of disadvantaged students. While again the overall pattern of

total expenditure growth is evident across districts with different levels of student poverty, that growth occurred relatively uniformly among the poverty groups between 1995 and 2004.

Figure 10a

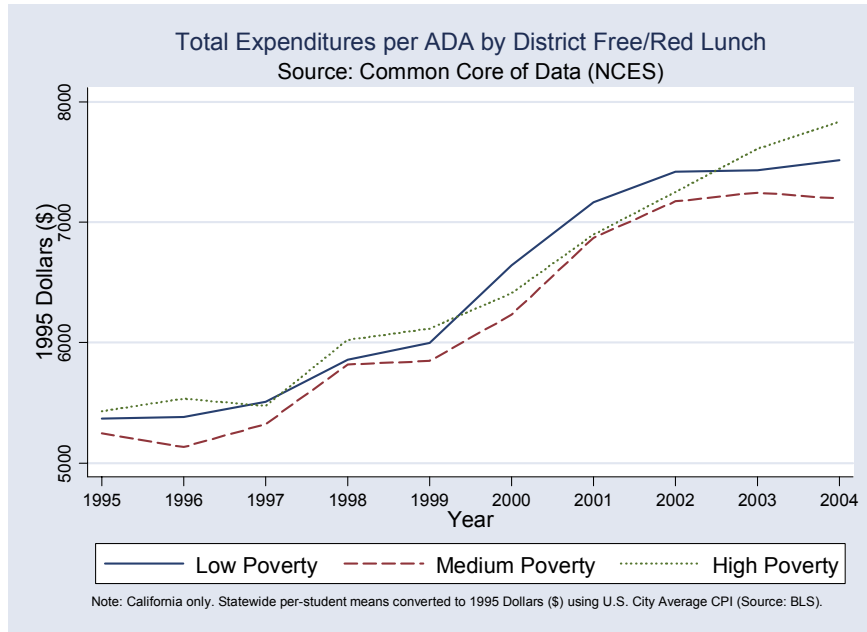


Figure 10b

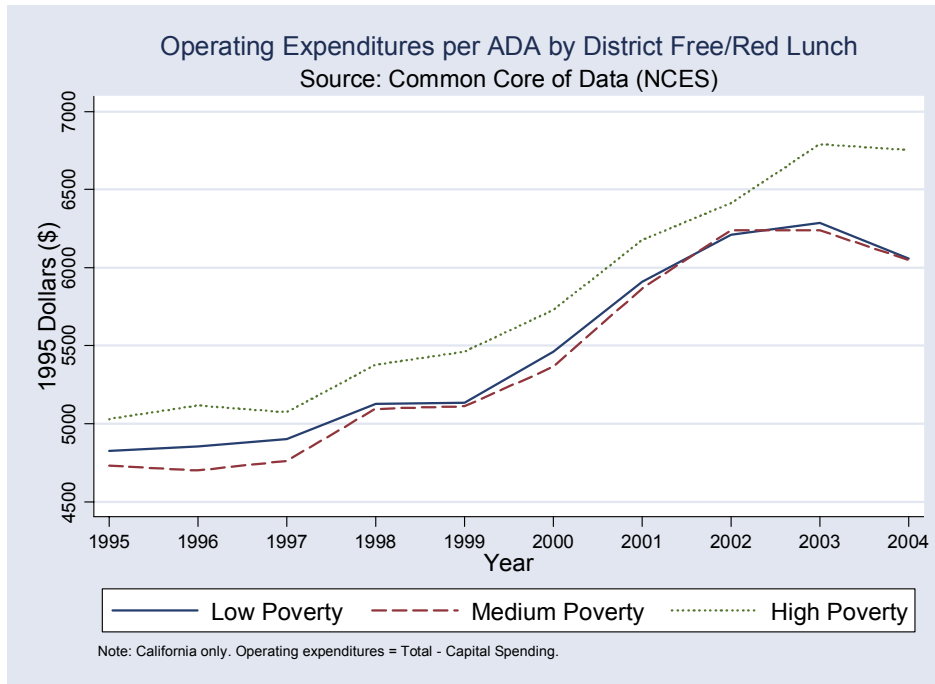
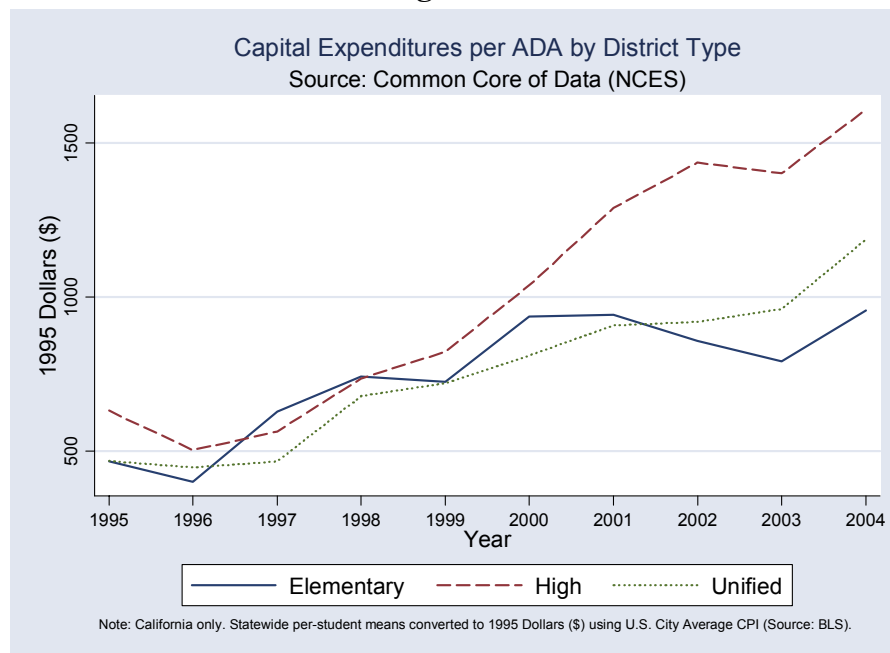


Figure 10b shows, however, that differences in operating expenditures across poverty groups are more substantial than differences in overall expenditures. While low- and medium-poverty

districts saw nearly identical growth in operating expenditures over the time period in question, high-poverty districts saw relatively more growth, particularly between 2002 and 2004.

These differences in patterns between total and operational expenditures can be explained by examining capital spending. Because operating expenditures are defined to be total expenditures minus capital expenditures, examining how capital spending changed between 1995 and 2004 across the different district classifications is also instructive. Figure 11a shows capital spending for elementary, high and unified districts. Much of the outpacing of high school districts over unified and elementary districts after 1999 and 2000 can be attributed to the relatively large growth in capital spending in those districts. Capital expenditures also account for the flat growth in total expenditures between 2002 and 2004 for all three district types, shown in Figure 8a, despite drops in operational expenditures. It appears that districts systematically traded off operating expenditures for investment in capital during those years.

Figure 11a



Figures 11b and 11c show capital expenditures broken down by district size and student poverty. We see a spike for medium sized districts in 2001 but other than that, similar trends across districts size. Figure 11c illustrates the hierarchy of capital investment across district poverty levels. Low-poverty districts not only invested the most in capital but saw the most substantial growth in capital investment between 1995 and 2004. On the opposite end of the spectrum, districts with the largest number of students in poverty spent the least on capital in per-student terms.

Figure 11b

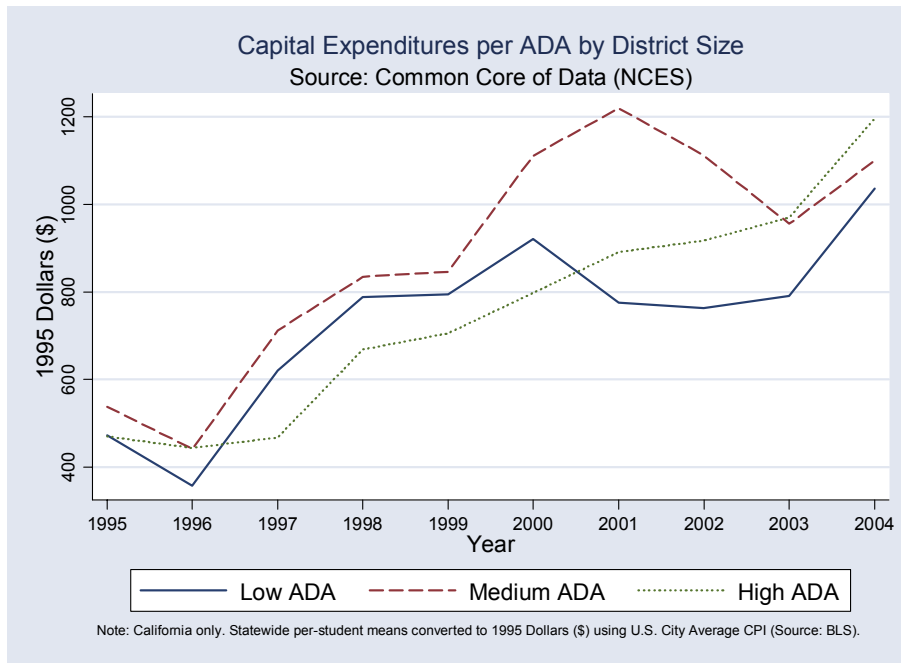
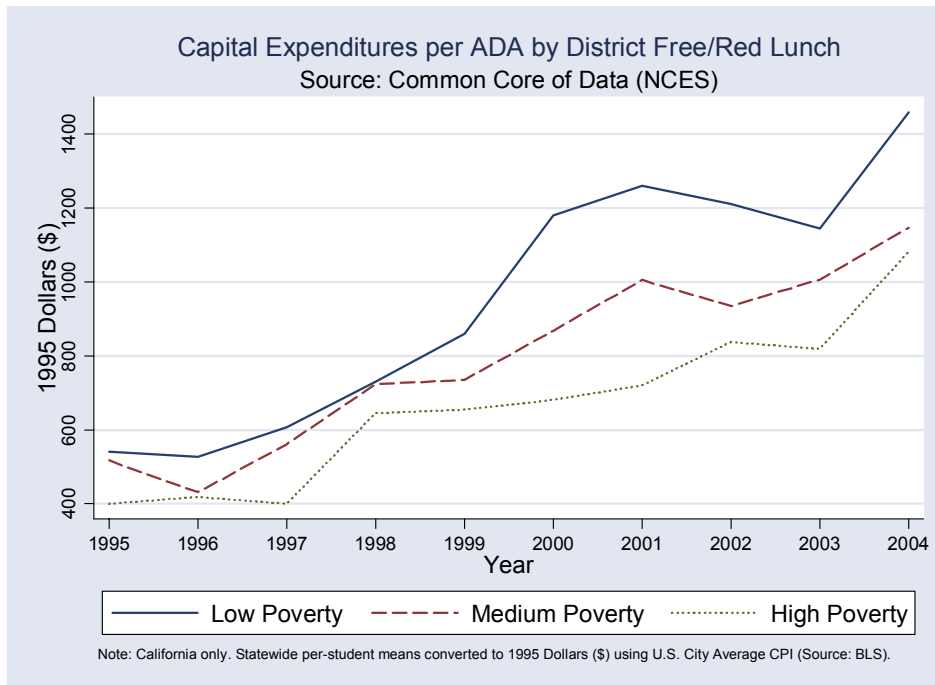


Figure 11c



To summarize, the substantial growth in total expenditures between 1995 and 2004 occurred across district types, though that growth was stronger for some groups of districts than for others. While much of this growth occurred in the area of operating expenditures, growth in capital outlay expenditures comprised a significant portion of total expenditure growth over this time period. In

fact, for some groups capital growth has offset declines in operational spending in the most recent years.

Figure 12a

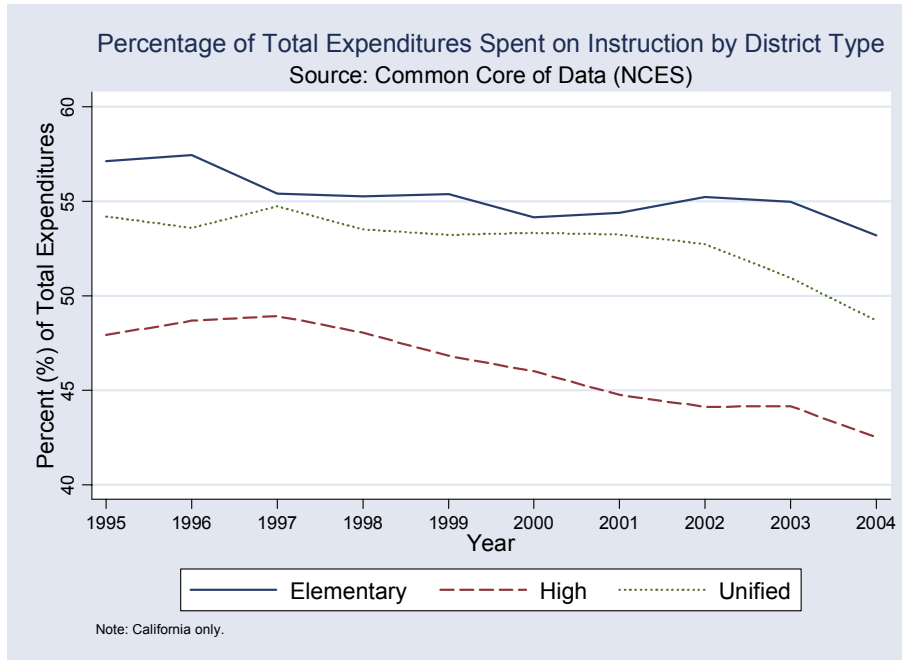


Figure 12b

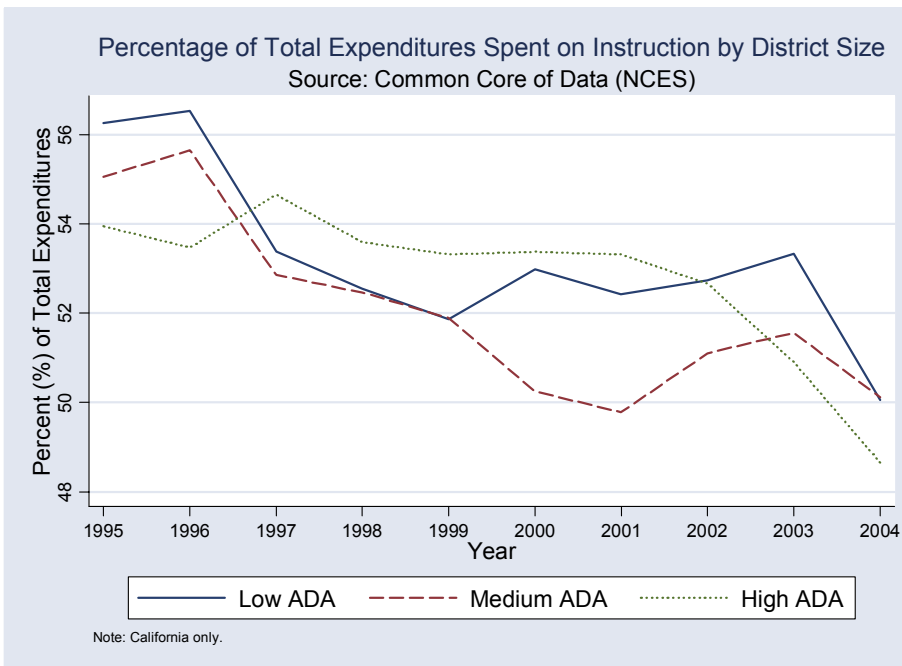
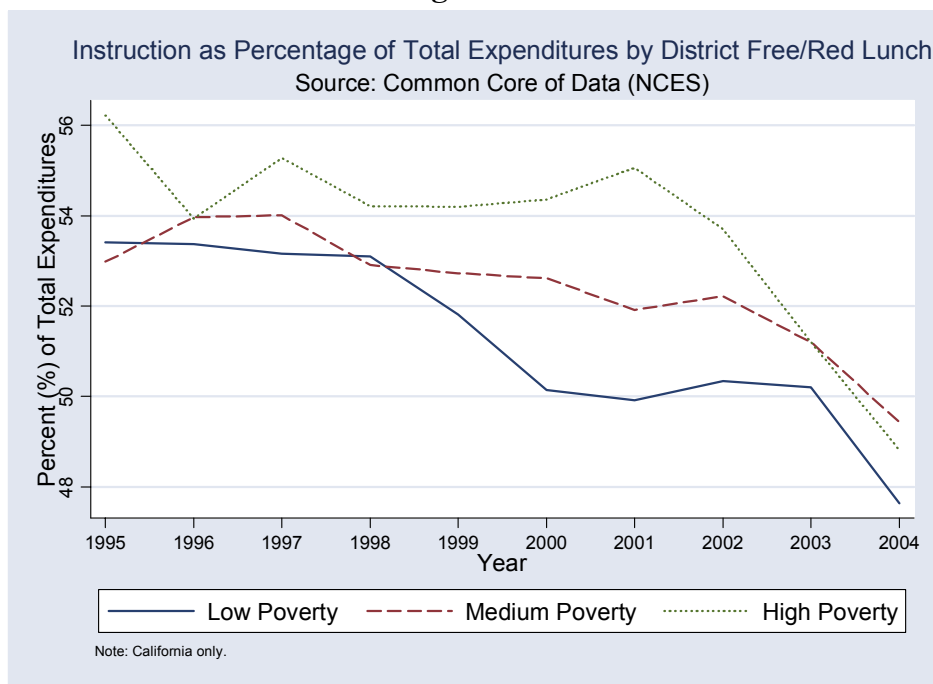


Figure 12c



Figures 12a-12c show changes in the percentage of total expenditures allocated to instructional spending between 1995 and 2004 across district types, sizes and poverty levels. All three figures illustrate a decline in instructional spending as a proportion of total expenditures since approximately 1997 and 1998. This trend represents a noteworthy shift in the budget allocation choices of California school districts over that time period as the proportion of spending was shifted away from instruction and other operating expenditures toward investment in capital.

The final set of figures, Figures 13a and 13b, summarize changes first in four large categories of spending and then in salary spending between 1995 and 2004. Figure 13a shows that the steady growth in total expenditures over this time period is largely attributable to a growth in operating expenditures, though the divergence between the two lines in the last few years shows that capital spending growth may have begun to outpace operating spending growth as a contributor to overall spending increases (recall that operating expenditures are defined as total expenditures minus capital expenditures). The growth in operating expenditures is not dominated by growth in either instructional spending or spending on services; both of these subcategories saw steady increases in real terms between 1995 and 2003, with slight declines between 2003 and 2004.

Figure 13a

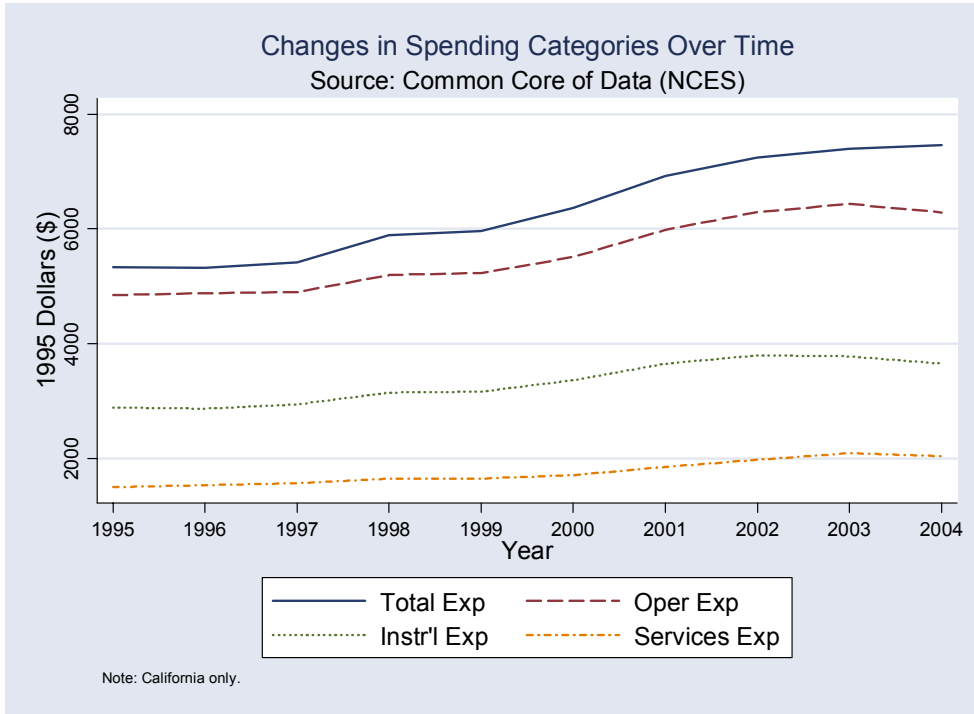


Figure 13b

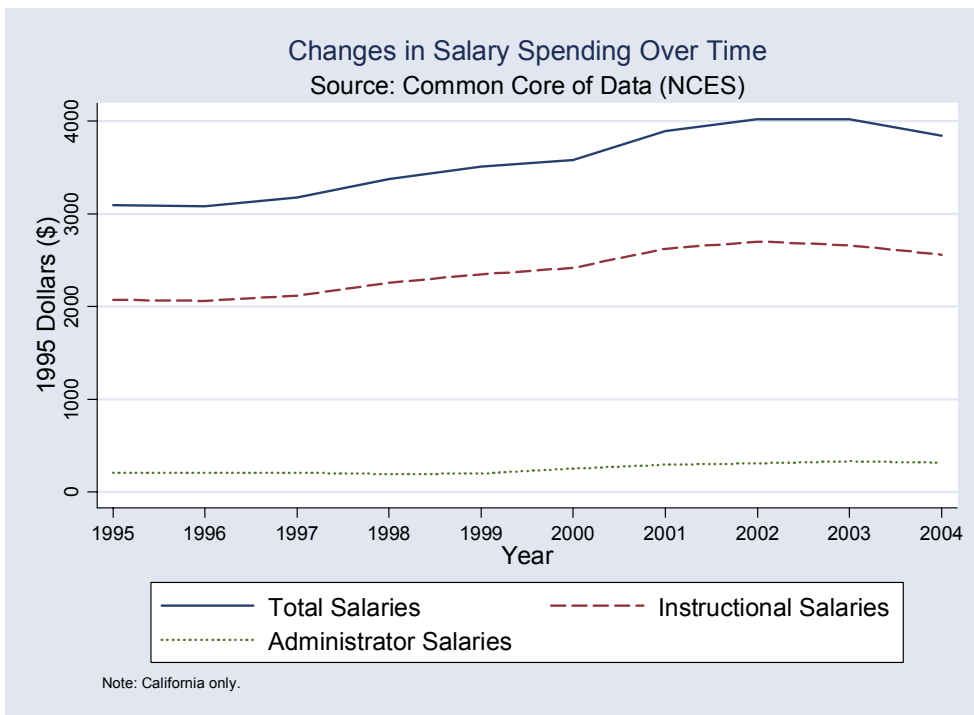


Figure 13b shows that real dollars per student spent on total salaries increased by roughly one-third between 1995 and 2003, though again there appears to have been a slight drop from 2003

to 2004. The other two lines in this figure represent instructional salaries--that is, spending on salaries for teachers, aides and other instructional staff--and administrator salaries, which are not included in the instructional salaries numbers. Much of the increase in salary spending is attributable to increases in per-student instructional salary spending, which grew by about 25 percent between 1995 and 2002, with a gradual decline thereafter. Administrator salaries stayed relatively more stable over the same time period, though this spending grew relatively more quickly between 1999 and 2003.

Summary

In summary, this section describes changes over time in expenditures for California districts.

- We find substantial increases in expenditures over the last decade, in both operating and capital.
- Expenditure gains are evident across district type but are particularly pronounced for high poverty districts and small districts.
- The growth in operating expenditures is not dominated by growth in either instructional spending or spending on services; both of these subcategories saw steady increases in real terms between 1995 and 2003, with slight declines between 2003 and 2004.
- Expenditures on capital outlays grew between 1995 and 2004, with high school district spending on capital outpacing elementary and unified district spending, and low poverty districts investing more in capital outlays over time.
- Much of the increase in salary spending is attributable to increases in per-student instructional salary spending, which grew by about 25 percent between 1995 and 2002, with a gradual decline thereafter. Administrator salaries stayed relatively more stable over the same time period.

Section V: Comparison of California to Other States

Sections I through IV examine how school district revenues and expenditures differ within California with respect to district characteristics and how patterns in school district spending in California have changed over time. In this section we turn to comparing California to the rest of the United States. For this analysis we rely again on the CCD financial data because it is available for all fifty states and the District of Columbia. We limit ourselves to fiscal year 2004. In order to facilitate direct comparison of California to other large states with similar demographic trend characteristics, we look separately at Florida, New York, Texas, and then the remaining states and Washington, D.C. as a collective group.

Table 23: Revenue and Expenditure Differences Across States

<i>Variable</i>	<i>California</i> (N = 977)	<i>New York</i> (N = 698)	<i>Texas</i> (N = 1225)	<i>Florida</i> (N = 67)	<i>All Other States</i> (N = 12263)
<i>Revenues per ADA</i>					
Total Revenue	8831	14378 ***	8331 ***	8339 ***	9461 ***
Total Federal Revenue	845	1075 ***	841	839	750 ***
Total State Revenue	4759	6222 ***	3117 ***	3700 ***	4414 ***
Total Local Revenue	3228	7080 ***	4374 ***	3801 ***	4297 ***
<i>Expenditures per ADA</i>					
Total Expenditures	9251	15133 ***	8820 ***	8444 ***	9585 ***
Operating Expenditures	7790	13770 ***	7712	7712 ***	8630 ***
Elem/Sec Expenditures	7324	13144 ***	7021 ***	6784 ***	8097 ***
Instructional Expenditures	4525	9072 ***	4264 ***	4015 ***	4934 ***
Support Services	2522	3773 ***	2404 ***	2436 **	2817 ***
Other Elementary/Secondary	277	299 ***	353 ***	332 ***	345 ***
Non-Elementary/Secondary	157	114 ***	60 ***	168	81 ***
Capital Outlay	1461	1363	1108 ***	1298 *	955 ***
<i>Salary Expenditures per ADA</i>					
Total Salaries	4762	8038 ***	4856 ***	4201 ***	5060 ***
Instructional Salaries	3171	6050 ***	3298 ***	2630 ***	3434 ***
Administration Salaries	392	545 ***	362 ***	337 ***	417 ***
Special Education Salaries	326	828 ***	0 ***	529 ***	431 ***
<i>Other Expenditure Categories per ADA</i>					
Plant Maintenance & Operations	293	463 ***	302 **	254 ***	296
Student Transportation	73	167 ***	108 ***	155 ***	134 ***
Total Employee Benefits	1434	2616 ***	824 ***	1203 ***	1564 ***
Textbooks	59	89 ***	31 ***	90 ***	43 ***

This section first considers differences in the levels of revenues and expenditures and then, differences in allocation (i.e. fraction of budget expended on various line items). Table 23 shows the results of the first comparison while Table 24 shows the results of the second. Note that the gray

column gives values for California and that each subsequent column gives the values for the comparison state (or group of states) and the significance level from a simple t-test of the difference between the comparison value and California's value for that line item. Asterisks denote the customary levels of statistical significance for the rejection of the hypothesis that the two values are equal.

Table 24: Revenue and Expenditure Allocation Differences Across States

	<i>California</i> (N = 977)	<i>New York</i> (N = 698)	<i>Texas</i> (N = 1225)	<i>Florida</i> (N = 67)	<i>All Other States</i> (N = 12263)
<i>Revenue Categories Expressed as Percentage of Total Revenues</i>					
Total Federal Revenue	9.51%	7.57% ***	10.15% **	10.09% *	8.19% ***
Total State Revenue	53.79%	44.45% ***	38.46% ***	45.03% ***	47.94% ***
Total Local Revenue	36.70%	47.99% ***	51.39% ***	44.88% ***	43.87% ***
<i>Expenditure Categories Expressed as Percentage of Total Expenditures</i>					
Operating Expenditures	85.36%	91.55% ***	88.60% ***	85.35%	90.90% ***
Elem/Sec Expenditures	80.52%	87.46% ***	81.71% *	81.15%	85.69% ***
Instructional Expenditures	49.99%	60.39% ***	49.64%	48.04% ***	52.29% ***
Support Services	27.46%	25.04% ***	27.94% *	29.12% ***	29.57% ***
Other Elementary/Second	3.07%	2.03% ***	4.13% ***	3.99% ***	3.82% ***
Non-Elementary/Second	1.67%	0.74% ***	0.69% ***	1.95% *	0.84% ***
Capital Outlay	14.64%	8.45% ***	11.40% ***	14.65%	9.10% ***
Total Salaries	52.48%	53.56% **	56.51% ***	50.23% ***	53.84% ***
<i>Salary Expenditure Categories Expressed as Percentage of Total Salary Expenditures</i>					
Instructional Salaries	66.88%	75.64% ***	67.98% ***	62.70% ***	68.00% ***
Administration Salaries	8.25%	6.75% ***	7.49% ***	8.02% **	8.35%
Special Education Salaries	6.81%	10.35% ***	0.00% ***	12.63% ***	8.35% ***
<i>Non-Salary Expenditure Categories Expressed as Percentage of Total Non-Salary Expenditures</i>					
Plant Maintenance & Operations	7.08%	6.91%	8.55% ***	6.27% ***	6.93% **
Student Transportation	1.75%	2.89% ***	3.05% ***	3.79% ***	3.40% ***
Total Employee Benefits	34.29%	38.49% ***	23.13% ***	29.30% ***	36.40% ***
Textbooks	1.43%	1.30% **	0.87% ***	2.22% ***	1.02% ***

Because California's costs, especially for workers, are among the highest of all states, comparing dollars with other states may lead us to under- or overestimate revenue and expenditure differences. We account for this in two ways. First, Table 24 compares the allocation of revenue and spending budgets (as a proportion of total revenues and expenditures) between California and other states. In Table 25, we also account for differences in costs across states by adjusting the values found in Table 23. We do this by simply dividing those states median earning by median earnings in California. The result is that values for the comparison groups are all inflated with respect to their values in Table 3 to California.

Revenues

Looking at the unadjusted revenue numbers in Table 23, we see that California generates just 61 percent as much per-student revenue as New York, relatively similar (though somewhat higher) revenues than Texas and Florida, and less (\$630 per student) than the remaining states. However, when we examine our cost-adjusted figures in Table 25, we see that California actually generates 43 percent less revenue than New York, 11 and 15 percent less revenue than Texas and Florida, respectively, and 23 percent less revenue than the rest of the nation.

Table 25: Revenue and Expenditure Adjusted by State Median Income

<i>Variable</i>	<i>California</i> (<i>N</i> = 977)	<i>New York</i> (<i>N</i> = 698)	<i>Texas</i> (<i>N</i> = 1225)	<i>Florida</i> (<i>N</i> = 67)	<i>All Other States</i> (<i>N</i> = 12263)
<i>Revenues per ADA</i>					
Total Revenue	8831	15463 ***	9879 ***	10411 ***	11507 ***
Total Federal Revenue	845	1157 ***	997 ***	1047 ***	913 ***
Total State Revenue	4759	6691 ***	3695 ***	4619	5369 ***
Total Local Revenue	3228	7615 ***	5186 ***	4745 ***	5226 ***
<i>Expenditures per ADA</i>					
Total Expenditures	9251	16275 ***	10458 ***	10542 ***	11658 ***
Operating Expenditures	7790	14809 ***	9145 ***	8922 ***	10497 ***
Elem/Sec Expenditures	7324	14136 ***	8325 ***	8469 ***	9848 ***
Instructional Expenditures	4525	9757 ***	5056 ***	5012 ***	6001 ***
Support Services	2522	4058 ***	2851 ***	3042 ***	3427 ***
Other Elementary/Secondary	277	321 ***	419 ***	415 ***	420 ***
Non-Elementary/Secondary	157	122 ***	71 ***	210 ***	98 ***
Capital Outlay	1461	1466	1314 *	1620 *	1162 ***
<i>Salary Expenditures per ADA</i>					
Total Salaries	4762	8644 ***	5758 ***	5245 ***	6155 ***
Instructional Salaries	3171	6507 ***	3911 ***	3283 ***	4176 ***
Administration Salaries	392	586 ***	429 ***	421 ***	507 ***
Special Education Salaries	326	890 ***	0 ***	660 ***	524 ***
<i>Other Expenditure Categories per ADA</i>					
Plant Maintenance & Operations	293	498 ***	358 ***	317 ***	360 ***
Student Transportation	73	180 ***	128 ***	194 ***	163 ***
Total Employee Benefits	1434	2813 ***	977 ***	1501 ***	1902 ***
Textbooks	59	96 ***	37 ***	112 ***	52 ***

While California receives much less in federal revenues than New York receives in unadjusted dollars, it receives statistically identical amounts as Texas and Florida and significantly more than the remaining states. Federal revenue constitutes 9.5 percent of California budgets, lower than Texas and Florida (each at approximately 10 percent) but higher than New York and the remaining states.

State revenues are higher in California than for every group except New York. However, state revenues make up a higher percentage of total revenues in California (54 percent) than for any other group. Conversely, local revenues are both lower in absolute value and in fraction of total budget than any other group.

Expenditures

Overall we see that education spending in California is low relative to other states across most expenditure categories. Although California spends significantly more overall than do Texas or Florida, when we adjust for the cost of living California's total expenditures on education are less than all of our other comparison groups. New York State spends 43 percent more per student than California, Texas and Florida each spend approximately 12 percent more than California, and the rest of the US spends almost 21 percent more than California.

This low spending is evident across most spending sub-categories. For example, looking at cost-adjusted numbers, California spends less than half of what New York spends on instruction, and 10 percent less than either Texas or Florida. A similar pattern holds for operating expenditures (total expenditures minus capital). Before adjusting for cost differences, California is comparable to Texas and Florida but lags behind the other states. After adjusting, we see that New York spends approximately twice as much as does California on operating expenditures, Texas and Florida spend 15 and 13 percent more, respectively, and the rest of the nation spends 26 percent more on operating expenditures. California also spends less than other states on salaries, transportation, and physical plants.

Although California allocates a comparable fraction of its budget to plant maintenance and operations (around 7 percent), in cost-adjusted terms it is outspent by every other comparison group in Tables 21 through 23. California also allocates a very low fraction of its budget (1.75 percent) to student transportation, lower than any group. Even in unadjusted terms, it spends less on transportation than any group; adjusting for costs, California districts spend just 40 percent of what New York spends, 57 percent of what Texas spends, 38 percent of what Florida spends and 45 percent of what is spent by the remaining states.

This low spending also carries over to employee benefits: in cost-adjusted terms, California's spending on employee benefits is outpaced by every group except Texas. New York spends twice as much as California on employee benefits, and "all other states" spend 33 percent more. Florida,

however, spends approximately the same amount on employee benefits as does California, and Texas spends only two-thirds as much on employee benefits.

Similar to our findings in the previous section, however, it appears that California spends *more* on capital outlay than do other states: while capital spending is approximately the same for New York and California, California spends 11, 10 and 26 percent more on capital outlay than do Texas, Florida, and the rest of the United States, respectively.

When we examine salary expenditures, we see that California spends less on total salaries and instructional salaries than any comparison group except Texas. Adjusting for costs, California’s total and instructional salaries are lower than any other group’s in per-student terms. One possible explanation for California’s relatively high costs but low expenditures on salaries per pupil compared to other states is its high class sizes. Table 26 illustrates this. The 2003-04 CCD school district demographic data report that California’s 21.4 to one pupil-teacher ratio is much larger ratio than in our comparison states. New York’s reported pupil-teacher ratio is only 13.8 students to one teacher, with Texas and Florida’s ration at 15 to one and 18 to one. The rest of the states’ average pupil-teacher ratio is also relatively smaller than California’s, at 15.7 students to one teacher. Table 26 also shows that California employs a low number of school administrators per student and a low number of district administrators per school administrator.

Table 26: Student-Adult Ratios Across States

<i>Variable</i>	<i>California</i> (<i>N</i> = 969)	<i>New York</i> (<i>N</i> = 345)	<i>Texas</i> (<i>N</i> = 1037)	<i>Florida</i> (<i>N</i> = 67)	<i>All Other States</i> (<i>N</i> = 10319)
Student-Teacher Ratio	21.4	13.8 ***	14.9 ***	18.0 ***	15.6 ***
Student-School Administrator Ratio	476.2	370.4 ***	147.1 ***	370.4 ***	303.0 ***
Teacher-School Administrator Ratio	22.3	27.0 ***	9.8 ***	20.9 ***	19.3 ***
School Administrator-LEA Administrator Ratio	5.1	3.5 ***	4.0 ***	4.0 ***	2.3 ***

* For California the sample size for line 3 is 967, and for line 4 is 898. For Texas, the sample size in line 3 is 1036, and in line 4 is 994. The sample size for All Other States is 10245 in line 2, 10152 in line 3 and 9301 in line 4.

Total salary expenditures could be low in California either because of low adult to student ratios as described above or because of low salaries. The CCD does not provide data on average teacher salaries; however, these are available for the 2004-05 school year from the National Education Association. They report an average salary for California teachers of \$57,876, compared with \$56,200 in New York; \$41,011 in Texas, and \$41,590 in Florida. This indicates that California

salaries are high relative to other states, in fact second only to the District of Columbia. However, once we adjust for the cost of workers these differences diminish. The comparisons for New York, Texas, and Florida would then be \$60,441, 48,631, and 51,925, respectively. Thus, adjusted California salaries are slightly lower on average than those in New York and higher than those in Texas or Florida. These analyses suggest that the lower spending on salaries in California comes largely from a lower number of adults per student in the system, not from lower salaries.

Not only does California spend less on salaries, but it also allocates a lower percentage of total salaries to instructional salaries (67 percent) than any of the other groups except Florida. California's allocation of salaries to administrative salaries (8 percent) is a higher fraction than New York, Texas or Florida's, but statistically similar to administrative salary spending in other states. Adjusting for costs, California's administrative salary spending is lower than any group's at \$392 per student.

California's expenditures on special education salaries are substantially lower than other states'. Even without adjusting for costs, California's spending on special education salaries is the lowest of all groups (note that Texas did not report this number in 2004). In cost-adjusted terms, California spends only half as much on special education salaries as does Florida, one-third as much as New York, and two-thirds as much as the rest of the states.

Summary

In summary, this section compares spending and revenues in California to those in New York, Texas, Florida and all other states. We find:

- California generates approximately the same revenues per pupil as Texas and Florida, approximately \$5500 less than New York, and approximately \$630 less than the remaining states.
- Adjusting for income differences across states reduces California's spending relative to other states. With adjustments, Texas spends 12 percent more than California; Florida, 18 percent; New York, 75 percent, and the rest of the country, 30 percent.
- California's districts receive a higher proportion of funds from state revenues and a lower proportion from local revenue than do other states.
- California spends less overall and across most subcategories than do other states. It spends a lower percentage of overall dollars on operating expenditures relative to capital expenditures than do other states except for Florida, though this is likely due to temporary fluctuations. California's distribution of spending across broad categories is similar to those of other states.

- California spends less on salaries than other states and this is driven by lower adult to student ratios. In particular, the number of teachers per student is lower in California, as are the number of school administrators per student and the number of district administrators per school administrator.

Section VI: Conclusion

This study provides a detailed overview of California districts' revenues and expenditures, a comparison of revenue and spending differences across districts, a look at staffing patterns across districts, a description of California's spending over time and a comparison of California expenditures with those from other states.

We find that, although California has operated under a school finance equalization plan since the early-1970s, there is 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, although we do find that urban districts with high percentages of black, Hispanic or poor students spend somewhat more than other California school districts, on average, and urban and high school districts with high proportions of black 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 between school districts, we find that, on average, California school districts spend significantly less and receive fewer revenues than do districts in other states. However, the distribution of dollars across different expenditure categories looks very similar to the distribution in other states – California just spends less overall. This finding is particularly striking when we see that California school districts actually spend significantly more (approximately 40 percent more) than they did ten years ago. One manifestation of lower spending in California is substantially fewer adults in the public education system in California than in other states. There are fewer teachers per student, fewer school administrators per student and fewer district administrators per school administrator. Salaries however, are not lower in California than in comparison states,

The SACS data set is a powerful tool that will help researchers understand more about California K-12 education finance than we have ever known before. As districts continue to use SACS for reporting purposes, the panel of data will grow, enabling more sophisticated analyses of California school finance. At that point, it will be important to expand this study design to capture more than just descriptive analyses of California school financing.