

PEPPERDINE UNIVERSITY
School of Public Policy

DAVENPORT INSTITUTE

AN ANALYSIS OF K-12
EDUCATION EXPENDITURES
IN CALIFORNIA:
FY 2003–04 to FY 2008–09

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INTRODUCTION

This report is one in an ongoing series of periodic analyses of public policy issues by the Davenport Institute. This report analyzes public, K-12 education expenditure patterns in California from fiscal year (FY) 2003-04 to FY 2008-09 (the most recent year for which comprehensive data are available).

The first section of this report looks at K-12 education expenditure patterns statewide. The second section analyzes special education demographics and expenditures. Section 3 compares the expenditure patterns of fifty-two selected school districts in California. Section 4 presents profiles for each of the fifty-two selected school districts.

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The authors are solely responsible for the content of this report.

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TABLE OF CONTENTS

INTRODUCTION i
TABLE OF CONTENTS..... ii
EXECUTIVE SUMMARY iii
METHODOLOGY vii
SECTION I: STATEWIDE SUMMARY DATA 1
SECTION 2: STATEWIDE SPECIAL EDUCATION DATA 83
SECTION 3: SELECTED SCHOOL DISTRICT COMPARISONS 93
SECTION 4: SELECTED 52 SCHOOL DISTRICT PROFILES 115

EXECUTIVE SUMMARY

Overview

This report examines K-12 public school district finances in California. The focus of this report is on how much money is spent by these public school districts and how that money has been allocated from Fiscal Year (FY) 2003-04 through FY 2008-09. There are three sections in this report. Section 1 analyzes total school district expenditures statewide. Section 2 analyzes expenditures for Special Education statewide. Section 3 analyzes the expenditure patterns of 52 selected California public school districts. Section 4 presents detailed expenditure profiles for 52 selected California public school districts.

Over the last several years, the expression “budget cuts” has been heard often regarding K-12 public school district expenditures in California. In reality, total expenditures (excluding Capital Expenditures) have increased every year from FY 2003-04 through FY 2007-08, before leveling off in FY 2008-09. (If Capital expenditures are included, the Total Expenditures have increased every Fiscal Year).

Total expenditures (excluding Capital Expenditures) increased from \$45,603,379,048 to \$55,601,177,318 during this period, an increase of 22%. To put this 22% increase in perspective, it was notably greater than the 15% increase in Per Capita Personal Income (PCPI) for all Californians during this period. It was also greater than the increase in inflation or the consumer price index during this period. (See Table 1-2, pp. 4-5 for a comparison of the increases in each of these indices) Throughout this report, expenditure increases are compared to the corresponding change in California PCPI. This is done for two reasons. First, PCPI gives the most precise measure of the ability of Californians to pay for all goods and services – everything from groceries, transportation, and housing to police protection, parks, and K-12 public education. Second, the change in PCPI during this period was greater than the change in the inflation. Therefore, comparing the changes in K-12 public school district expenditures to the change in PCPI puts the changes in K-12 school district expenditures in the best possible light, because while K-12 school expenditures grew faster than PCPI, K-12 school district expenditures grew even more rapidly compared to the inflation rate.

In addition, when comparing the changes in K-12 school district expenditures to the changes in PCPI in the Section I of this report, PCPI growth was set at zero for the last year analyzed (FY08-09). In reality, PCPI actually declined that year, but here again a choice was made to put the changes in K-12 school district in the best possible light. Note, however, that in Section IV, which examines 52 selected school districts in more detail, a graph showing the percentage growth in district Total Expenditures (excluding Capital Expenditures) compared to the growth (or in the last year, decline) in PCPI for each year is provided. Nevertheless, all calculations for any annual savings associated with reducing annual expenditure growth to the same rate as PCPI in FY 08-09 are based on a PCPI growth rate of zero, in order to present the changes in K-12 school district expenditures in the best possible light, and to avoid potential confusion on the part of readers who might be somewhat unfamiliar with the economic concept of “negative growth”.

In every year examined, except for FY 08-09 total expenditures for K-12 public education increased, but even in FY 08-09 many expenditure categories increased significantly. Section 1 analyzes these changes in each category of expenditure (and calculates savings etc.)

Average Daily Attendance (ADA) actually declined from 5,808,658 in FY03-04, to 5,630,222 in FY 08-09. During this period, Total Expenditures per student (excluding Capital Expenditures) increased from \$7,851 in FY 03-04 to \$9,876 in FY 07-08, before declining by one dollar, to \$9,875, in FY 08-09. This was an increase of 25.8% in Total Expenditures per student from FY 03-04 through FY 08-09. This 25.8% increase was substantially greater than the 15 percent increase in California PCPI over this same period. When Capital Expenditures are included, Total Expenditures per student increased from \$9,799 in FY03-04 to \$12,134 in FY 08-09, an increase of 23.8%.

Special education, analyzed in Section 2, receives attention because it constitutes a significant portion of K-12 Total Expenditures and because it is useful to understand the scope of special education expenditures and the nature of services involved. The total Full Time Equivalent (FTE) Special Education ADA statewide remained fairly constant at approximately 3% of Total statewide ADA, from FY 03-04 (182,822 ADA) to FY 08-09 (183,032 ADA). (See Table 2-1, pp. 82-83) The total number of children receiving at least some sort of special education attention also remained fairly constant from FY 03-04 (678,105) to FY 08-09 (681,980). Most of these children received some special attention each week addressing a speech or language impairment, or a specific learning disability regarding, for example, mathematics or reading. (See Table 2-2, pp. 86-87)

Because there is frequently much discussion about how much money actually “goes directly to classroom education” this issue is addressed at the end of Section 1. Direct classroom expenditures are commonly understood to include teacher salary and benefits, instructional aide salary and benefits, and classroom textbooks, materials, and supplies. In this analysis the specific expenditure categories used to calculate what constitutes direct classroom expenditures are:

- Total Certificated Teacher Salaries (Object 1100) & Estimated Benefits
- Total Instructional Aide Salaries (Object 2100) & Estimated Benefits
- Approved Textbooks and Books (Objects 4100 & 4200)
- Materials and Supplies expenditures (Object 4300) that pertain to Instructional or Special Education Functions (Functions 1000, 1110, 1120, 1130, 1180 and 1190)
- Professional/Consulting Services/Subagreements for Services (Objects 5100 and 5800) that pertain to Instructional or Special Education Functions (Functions 1000, 1110, 1120, 1130, 1180, 1190)

Using these categories, direct classroom expenditures statewide went from 59 percent of Total Expenditures (excluding Capital Expenditures) in FY 03-04 to 57.8 percent of Total Expenditures (excluding Capital Expenditures) in FY 08-09. It should be kept in mind, however, that there is a wide range among the 52 selected school districts analyzed in Sections III and IV in the percentage of Total Expenditures (excluding Capital Expenditures) allocated to direct classroom expenditures. In FY 08-09, for example, four of the 52 districts allocated more than 65 percent of their Total Expenditures to direct classroom expenditures (Temecula Valley Unified 70.4%, Corona-Norco Unified 69.2%, Fremont Unified 67.7%, and Chino Valley Unified 65.5%) while six of the 52 districts allocated less than 50 percent of their Total Expenditures to direct classroom expenditures (Clovis Unified 48.9%, Bakersfield City Elementary 48.8%, Oakland Unified 48.6%, Fresno Unified 47.9%, San Francisco Unified 43.4%, and Monterey Peninsula Unified 43.3%).

A brief note regarding the state’s accounting system:

Readers of this report will notice that two methodological issues involving the state’s accounting system, Standardized Account Code Structure (SACS), had to be addressed in the course of this analysis.

First, benefit expenditures for all credentialed personnel, teacher and administrator alike, are lumped together. The benefit expenditures for teachers and the benefit expenditures for other credentialed personnel should be separately designated as such.

Second, clearly separating capital debt payments and debt payments for pension obligation bonds would allow a more precise evaluation of the actual cost related to salary and benefit expenditures.

These two improvements would allow parents and taxpayers to have a clearer, more precise picture of public school finances in California.

Section 1: Statewide Summary Data

1. Statewide expenditures for Teacher Salaries and Benefits declined from 50% of Total Statewide expenditures (excluding capital expenditures) in FY 03-04 to 49% in FY 05-06, and declined further to 48% in FY08-09. In other words, by FY 05-06, less than half of the K-12 operating expenditures statewide were for teacher salaries and benefits. (See Table 1-8, pp. 16-17)
2. Statewide, Average Daily Attendance (ADA) decreased from 5,808,658 in FY 03-04, to 5,630,222 in FY 08-09. (See Table 1-1, pp. 2-3)
3. Statewide, per student expenditures for 22 out of 26 operating expenditure categories increased at a faster rate from FY 03-04 to FY 08-09 than Per Capita Personal Income (PCPI) in California, which increased 15% during the same period. Notably, per student expenditures for Classified Supervisors’ and Administrators’ (those not holding a teaching credential) salaries increased 44%, per student expenditures for Certificated Supervisors’ and Administrators’ (those holding a teaching credential) increased 28%, and per student expenditures for staff travel and conference attendance increased 22%, from FY03-04 to FY 08-09. By way of comparison, per student expenditures for Certificated Teachers’ Salaries increased 21% during this same period. (See Table 1-9B, pp. 20-21).
4. In FY 07-08, holding the increase in Total Expenditures per student, except expenditures for Teacher Salaries and Benefits and Capital Expenditures, to the same increase as the PCPI would have freed up well over \$1.8 billion, enough money to employ an additional 22,076 teachers. To put that in perspective, there are approximately 300,361 FTE teachers employed statewide. In FY 08-09, holding the increase in each operating category of spending per student (e.g. Certified Supervisors and Administrators, Travel and Conferences, etc. – see # 3 above) would have freed up well over \$862 million, enough to employ an additional 10,302 teachers statewide. (See Tables 1-4A and 1-4B, pp. 7-8)
5. Statewide, Total Expenditures per student (excluding capital expenditures) increased from \$7,851 in FY03-04 to \$9,876 in FY 07-08, before declining by one dollar, to \$9,875 in FY 08-09. This was an increase of 25.8% in Total Expenditures per student from FY 03-04 through FY 08-09. This 28.5% increase was substantially greater than the 15% increase in California PCPI over this same period. What this means is that, although Total Expenditures per student increased much

faster than California PCPI, relatively less of this increased revenue per student has been going to Teacher Salaries and Benefits (see #1 above) and relatively more has been going to other expenditures, notably Administrator salaries and benefits. (See Table 1-5, pp. 10-11)

6. Statewide, Total Expenditures, including Capital Expenditures, per student increased from \$9,799 in FY 03-04 to \$12,134 in FY 08-09. (See Table 1-38, pp. 78-79)
7. Direct “In the Classroom” expenditures statewide went from 59 percent of Total Expenditures (excluding Capital Expenditures) in FY 03-04 to 57.8 percent of Total Expenditures (excluding Capital Expenditures) in FY 08-09. (See Table 1-39, pp. 80-81)

Section 2: Special Education

8. The total Full Time Equivalent (FTE) Special Education ADA statewide remained fairly constant at approximately 3% of Total statewide ADA, from FY 03-04 (182,822 ADA) to FY 08-09 (183,032 ADA). (See Table 2-1, pp. 82-83). The total number of children receiving at least some sort of special education attention also remained fairly constant from FY 03-04 (678,105) to FY 08-09 (681,980). Most of these children received some special attention each week addressing a speech or language impairment, or a specific learning disability regarding, for example, mathematics or reading. (See Table 2-2, pp. 86-87)

Section 3: 52 Selected School Districts Comparisons

9. Total Expenditures (excluding Capital Expenditures) per student varied substantially among the 52 school districts profiled in Section 3. In FY 08-09, for Los Angeles Unified Total Expenditures per student (excluding Capital Expenditures) were \$13,732, and for Oakland Unified Total Expenditures per student (excluding Capital Expenditures) were \$12,946. By way of comparison in FY 08-09 Total Expenditures per student for Temecula Valley Unified were \$7,665 and for Corona –Norco Unified \$7,588. (See Table 3-1, pp. 94-97)
10. Estimated Teacher Salaries and Benefits as a percentage of Total Expenditures (excluding capital expenditures) also varied significantly among the 52 school districts profiled in Section 3. For example, in FY 08-09 Los Angeles Unified spent approximately 41% of its Total Operating Expenditures on Teacher Salaries and Benefits, and Oakland Unified spent approximately 35%. By way of comparison, Corona-Norco Unified spent approximately 62% of Total Expenditures (excluding capital expenditures), and Fremont Unified spent approximately 59% of Total Expenditures (excluding capital expenditures) on Estimated Teacher Salaries and Benefits. (See Table 3-2, pp. 98-101)
11. The percentage change in Total Expenditures per student (excluding capital spending), between FY 03-04 and FY 08-09 differed noticeably among the 52 districts reviewed in Section 3. For example, Compton Unified increased its Total Expenditures per student (excluding capital spending) by 62% during this time period, which is approximately four times the rate of growth in statewide per capita personal income (PCPI). Similarly, Monterey Peninsula Unified increased its total expenditures per student by 55%, which is approximately 3.6 times the rate of increase in statewide PCPI during the time period examined. (See Table 3-3, pp. 102-105)

12. Of the 52 districts examined in Section 3, Certificated and Classified Administrator/Supervisor Salaries as a percentage of Certificated Teacher Salaries ranged between 12% and 16% for the majority (34 districts). Some districts, however, were outside of this range, with some spending relatively less on Administrator/Supervisor Salaries, such as Santa Ana Unified where Administrator/Supervisor Salaries represented only 9% of Certificated Teacher Salaries, expenditures, and some spending relatively more, such as Oakland Unified, where Administrator/Supervisor Salaries expenditures represented 24% of the Certificated Teacher Salaries expenditures. (See Table 3-4, pp. 106-109)
13. There is a wide range among the 52 selected school districts analyzed in Sections 3 and 4 in the percentage of Total Expenditures (excluding Capital Expenditures) allocated to direct classroom expenditures. In FY 08-09, for example, four of the 52 districts allocated more than 65 percent of their Total Expenditures to direct classroom expenditures (Temecula Valley Unified 70.4%, Corona-Norco Unified 69.2%, Fremont Unified 67.7%, and Chino Valley Unified 65.5%) while six of the 52 districts allocated less than 50 percent of their Total Expenditures to direct classroom expenditures (Clovis Unified 48.9%, Bakersfield City Elementary 48.8%, Oakland Unified 48.6%, Fresno Unified 47.9%, San Francisco Unified 43.4%, and Monterey Peninsula Unified 43.3%). (See Table 3-5, pp. 110-113)

METHODOLOGY

The data utilized in this report were obtained from several sources. The data about California Per Capita Personal Income (PCPI) were obtained from the United States Bureau of Economic Analysis, and the data source for rates of change to the Consumer Price Index and Gross Domestic Product was the Economic Research Unit of the Federal Reserve Bank of St. Louis. All school expenditure data came from two sets of data provided by the California Department of Education: the Standardized Account Code Structure (SACS) files and the J-90 Certificated Salary and Benefit files.

All school expenditures data were rinsed in the following fashion in order to remove data that do not pertain to K-12 Operating costs:

- Function codes 5000-5900 were removed to exclude Community/Civic Service-related expenditures
- Goal codes 4110, 4610-4630, 8100, ADLT, and CAFE were removed to exclude Adult Education, Community Service, and Cafeteria-related costs.
- Fund codes 11, 13, 61, and 95 were removed to exclude Adult Education, Student Body Fund, and Cafeteria-related costs.

Unless otherwise noted in the report, all individual objects of expenditure and totals exclude capital-related spending. In order to exclude this information, the following Funds were excluded:

- 14: Deferred Maintenance Fund
- 21: Building Fund
- 25: Capital Facilities Fund

- 30: State School Building Lease-Purchase Fund
- 35: County School Facilities Fund
- 40: Special Reserve Fund for Capital Outlay
- 49: Capital Project Fund for Blended Component Units

The statewide sections of this report do not include Local Education Agencies (LEAs) that are of either Joint-Powers Authorities (JPAs) or County Offices of Education (COEs). Expenditures for charter schools were included if the district reported those expenditures according to the SACS methodology.

Additionally, for the purposes of calculating Total Expenditures, specific objects of expenditure were excluded to again ensure that the data reflected operating costs, not capital-related costs or inter-fund expenditures. These expenditure objects are as follows: 7611-7651, 7299-7380, 7280, and 5710-5750. It should be noted that all debt-service related expenditures (7432-7434 and 7438-7439) were removed in order to ensure that no capital-related costs were included; however, it is likely that there are multiple debt obligations outstanding that have little or nothing to do with capital-spending, such as pension obligation bonds. In this regard, the total operating expenditures included herein are conservative estimates. It should also be noted that for the statewide totals, inter-district expenditures were also excluded in order to prevent double-counting; these objects include: 7281, 7221, 7211, and 7141.

With respect to Certificated Teacher Benefits, benefit costs are not reported by the California Department of Education for certificated teachers alone, but rather for all certificated staff combined. Thus, a benefit multiplier (Total Certificated Benefits as a % of Total Certificated Salaries) was developed and applied in order to estimate Certificated Teacher Salary and Benefit Costs. This most likely results in a slight overstatement of the expenditures for teacher benefits, because Certificated Supervisors and Administrators almost certainly have more expensive benefits.

In order to estimate the percentage of expenditures being spent “In the Classroom,” the following objects/categories or expenditure were aggregated and juxtaposed with the Total Expenditures (excluding capital):

- Total Certificated Teacher Salaries (Object 1100) & Estimated Benefits
- Total Instructional Aide Salaries (Object 2100) & Estimated Benefits
- Approved Textbooks and Books (Objects 4100 & 4200)
- Materials and Supplies expenditures (Object 4300) that pertain to Instructional or Special Education Functions (Functions 1000, 1110, 1120, 1130, 1180 and 1190)
- Professional/Consulting Services/Subagreements for Services (Objects 5100 and 5800) that pertain to Instructional or Special Education Functions (Functions 1000, 1110, 1120, 1130, 1180, 1190)