Fixing California’s Commercial Property Tax System Will Help Support Schools and Community Colleges

Over the past 40 years, disinvestment in public education has caused California to fall from one of the top states in per-pupil spending to one that ranks near the bottom.

The California Schools and Local Communities Funding Act would raise $11 billion every year for schools and local communities by ending the unfair system that allows a fraction of the wealthiest commercial and industrial property owners to avoid paying their fair share in taxes.
**THE PROBLEM** | Proposition 13 triggered massive and chronic disinvestment in public education.

In 1977, the year before voters passed Proposition 13, California was 7th in the nation in per pupil spending. The next year, the state dropped to 14th. By the 1980s California had fallen below the national average and we have never recovered. Even during the economic boom of the 1990s, California remained behind the national average in per-pupil spending. This funding gap worsened during the Great Recession, and was never made up, even after the revenue boost provided by 2012’s Proposition 30 and its extension, 2016’s Proposition 55. Compared to other states, California funds public education at a level similar to Texas, even though the cost of operating a school in California is more similar to that of New York. In 2014, New York’s investment per pupil was double the amount of California.

Today, California’s once world-class public schools are a shell of their former stature. California ranks near the bottom in spending per pupil and staffing ratios for teachers, guidance counselors, librarians, and administrators. Even more concerning, after 40 years of bare-bone budgeting, the impact on students of color, who disproportionately experience poverty and linguistic and social isolation, has been especially devastating.

- **The 3rd grade math proficiency rate** for Black students (22%) is just over half the California average (40%). The rate for Latino students (28%) is 12 percentage points lower than the statewide average.
- **The 3rd grade English language arts proficiency rate** for Black students (23%) is 15 percentage points lower than the California average (38%). The gap for Latino students (25%) is similar at 13 percentage points below the statewide average.

Once known for its quality public schools, in the 2015-2016 academic year, California ranked 41st among all states in cost-of-living-adjusted per-pupil spending. Now, as inequality grows and living here becomes increasingly unaffordable, reversing the decline in public education is not about idealism — it is about the state’s survival.


**K-12 Spending Per Pupil**

How Does California’s Support for K-12 Education Compare?

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<tr>
<th></th>
<th>Rank</th>
<th>CA</th>
<th>US</th>
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<tbody>
<tr>
<td>Spending Per Student</td>
<td></td>
<td></td>
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<tr>
<td>K-12 Spending Per Pupil Adjusted for Cost of Living (2015-16)</td>
<td>41</td>
<td>$10,291</td>
<td>$12,252</td>
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<tr>
<td>Staffing Ratios</td>
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<tr>
<td>Number of K-12 Pupils Per Teacher (2015-16)</td>
<td>51</td>
<td>22</td>
<td>15</td>
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<tr>
<td>Number of K-12 Pupils Per Guidance Counselor (2012-13)</td>
<td>51</td>
<td>790</td>
<td>451</td>
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<tr>
<td>Number of K-12 Pupils Per Librarian (2012-13)</td>
<td>51</td>
<td>7,834</td>
<td>997</td>
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<tr>
<td>Number of K-12 Pupils Per Administrator (2012-13)</td>
<td>48</td>
<td>315</td>
<td>198</td>
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*Note: All state rankings include the District of Columbia.*

Racial fault lines helped fuel the tax revolt that led to Proposition 13, the sweeping tax-cut measure that passed overwhelmingly in June 1978. The state lost more than a quarter of its total revenue. School districts’ ability to raise funds was crippled; their budgets shrank for the first time since the Depression.

Schools and Communities First will restore critical funding for California’s K-12 schools and community colleges.

The California Schools and Local Communities Funding Act will provide $5.9 billion in new revenue for K-12 schools and community colleges across the state.10

K-12 Education

This reform will provide K-12 schools with $5.3 billion in new revenue every year.11 This is equivalent to an additional $21,848 per classroom annually or an additional $860 per student every year.12 To ensure the new revenue supports public education in a fair and equitable manner, the measure includes three key elements:

1. **New revenue will not replace existing state funding.** Under Proposition 98 (1988), additional local school property tax revenues generally offset state General Fund support needed to fully fund the Proposition 98 minimum guarantee. However, to provide new funding to schools, rather than provide relief to the state General Fund, the measure treats the new revenues for schools as additional to whatever is required to be provided to schools under Proposition 98.

2. **To ensure equity, new revenue will be pooled statewide into a special fund, the Local School and Community College Property Tax Fund, and disbursed based on student need.** Since the number and value of commercial properties that would be reassessed in each county varies widely, allocating new revenue based on the share of local property tax revenues would result in significant per-pupil funding disparities from county to county and school district to school district. By pooling the new revenues statewide for allocation to school districts, this inequity is avoided, including for rural communities. In addition, the Local Control Funding Formula is used to allocate new revenues from the statewide pool to school districts to provide additional funding for low-income students, English-learners, and foster youth.

3. **New revenue will support basic aid school districts that are funded by local property taxes, but that currently receive no money from the Local Control Funding Formula (LCFF).** Currently basic aid districts do not receive any funding through LCFF, even if they have high-need students. To assist these students, the Schools and Communities First measure specifies that basic aid districts will receive funding for each high-need student equal to the average per-student funding amount for all K-12 school districts.

Community Colleges

California’s 114 community colleges also stand to benefit from the California Schools and Local Communities Funding Act.13 Reform is expected to provide community colleges with $659 million in new revenue annually.14 This new revenue could help offset the trend of rising tuition costs or be used to create 138,000 additional slots in the system.15 Since nearly 50% of community college students are either Latino or Black, increased funding for community colleges is a key step towards creating opportunities and closing racial disparities and educational achievement gaps in California.16

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<tr>
<td>Fee Per Unit</td>
<td>$0</td>
<td>$5</td>
<td>$13</td>
<td>$26</td>
<td>$46</td>
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New research shows that funding targeted to high-need students is an effective strategy to narrow achievement gaps and reduce poverty.

- A **$1,000 increase in per-pupil spending in grades 10-12** leads to an average 5.3% increase in high school graduation rates, on average, among all students. (6.1% increase for low-income students, a 5.3% increase for Black students, and a 4.5% increase for Latino students).19
- **More so, a 20% increase in per-pupil spending** each year for all 12 years of public school for low-income students leads to a 25% increase in earnings and a 52% increase in family income, thereby making targeted investments earlier ever so important.20
The Schools and Communities First initiative is not just about dollars – it is about giving every student, family, and generation the opportunity to succeed. Despite boasting the 5th largest economy in the world, California ranks 41st in the nation in per-pupil funding and near the bottom in the number of students per teacher, guidance counselor, and librarian. The Schools and Communities First initiative can help reverse the decades of disinvestment experienced by California’s children and families by restoring billions every year for our K-12 schools and community colleges.

To join our growing movement or learn more, visit www.SchoolsAndCommunitiesFirst.org

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2 Ibid.
3 Ibid.
4 Ibid.
5 California Budget & Policy Center, “California’s Support for K-12 Education Is Improving, but Still Lags the Nation,” 2017.
7 Ibid.
8 EdSource, “States in Motion.
9 California Budget & Policy Center, “California’s Support for K-12.”
11 Ibid.
12 Calculations based on analysis of data from the California Department of Education, February 2019, www.Ed-Data.org. Average class size of 25.4 students and a total of 6.2 million public school students: 25.4 students X $860 = $21,848; 55.3 billion schools estimate / 6.2 million public school students in CA = $860
14 See endnote 10.
16 California Community Colleges, “California Community Colleges Key Facts.”
17 See endnote 10.
18 California Community Colleges, “California Community Colleges Key Facts.”

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