

**latimes.com**

## **State's school funding process is failing**

Michael Hiltzik

November 19, 2009

Anyone who has spent time in or around government, from the deeply embedded bureaucrat to the young policy wonk, knows that there are two important issues in funding a public program.

One, is it getting enough money? Two, is the money being spent wisely?

On both counts, California's method of financing its schools gets a big fat F. On a per-pupil basis, our schools are among the most poorly funded in the country, and no one can be sure that the money they do get serves its purpose.

Ask those who have devoted time to examining the system: The way this state doles out money to K-12 education isn't merely inefficient and ineffective, it's insane.

This is the standard opinion of economists, education experts and business leaders. [Eric Hanushek](#), an economist at the conservative Hoover Institution, told me he finds the system "just crazy." UC Davis education professor Thomas [Timar](#) calls it "completely disconnected from reality."

The system is so infested with complexities, state mandates and unaccountability that Ted Mitchell, president of the state Board of Education and former president of Occidental College, says that "it's remarkable that school administrators can open the doors of their schools on a daily basis."

We treat this problem lightly at our peril. California's economic future depends on the effectiveness of its schools. Corporate managers whine constantly about the declining qualifications of young people seeking jobs.

Hanushek says he has personally warned Gov. Arnold Schwarzenegger that "if California is going to continue to be a hotbed of innovations and entrepreneurship, it's going to do it with people it imports from other states and other countries, because our schools aren't up to maintaining the level of innovation we need."

Adding to the urgency, California's education policies are so dysfunctional that the state risks being entirely shut out in the competition for

[\\$4.35 billion in federal grants](#) to stimulate innovation in education, so-called Race to the

Top funds to be handed out early next year.

Although the state funding system is byzantine, explaining how we got here is pretty simple. The first step was a pair of state Supreme Court decisions in the 1970s Serrano vs. Priest case, which required the state to reduce disparities in education funding between rich and poor school districts. Then came 1978's Proposition 13, which cut the guts out of the property tax, the source of 60% of school funding at that time.

In response to these events, the state largely took over responsibility for school funding from local authorities. Pre-Serrano and Proposition 13, the state provided 34% of K-12 funding, Timar says. Today it's 67%.

The real problem is that the Legislature dictates how 40% of that state share can be spent -- it's "restricted," in educational parlance. By some estimates there are more than 130 separate state mandates, including requirements for teacher training, special education and programs for non-English-speaking pupils. Restricted funds pay for the class-size reductions ordered, during a fiscal surplus, by Gov. Pete Wilson. The state earmarks funds for districts to spend on textbooks, but only on textbooks approved by the state.

Not all of this is bad. Some mandates have broad support from districts, teachers and parents. And district administrators appreciate how earmarking funds rather than providing them as block grants keeps them from being entirely consumed by teacher salary increases in union contract talks.

Yet the Legislature's tendency to promulgate one-size-fits-all policies puts local administrators in an intolerable position.

"There are a thousand different school districts in California, one with 700,000 students [Los Angeles, actually with 688,000] and 50 with fewer than 100 students," Hanushek observes. No one could fashion a regulatory scheme applying equally well to each, he says.

Moreover, the system holds local schools hostage to the state's roller-coaster fiscal cycle and chuckleheaded budget policies in Sacramento.

Consider what happened after Schwarzenegger slashed the car tax in 2003. That money (this year it would have been more than \$6 billion) had been going to cities and counties. In the aftermath of the cutback, the state made the localities whole by handing over to them property taxes that had been going to school districts, then covered the districts' loss from the general fund -- which made it look like the state was giving the schools more money.

Can you follow this? Me neither. "This is the only state where a tax cut shows up as increased spending for schools in the state budget," says Rick Pratt, a finance expert at the [California School Boards Assn.](#)

Possibly the most baleful effect of this system is that it destroys local communities' interest in their own schools.

"It's pretty clear that participation in school board elections has decreased, because people feel they don't have a stake in the game anymore," Mitchell says. "That's even true of people with kids in the school district."

Where does our "pro-education governor" stand on all this? Schwarzenegger's most recent initiative on school policy came Oct. 12. That day he vetoed a measure creating a panel to draft a finance reform bill, dismissing it, nastily, as "[yet another working group](#)" providing "the appearance of activity without actually translating to achievement." (Does anyone know more about that style of governing than Schwarzenegger?)

The governor's veto message did touch on one inescapable fact: The state's school-financing process has been studied nearly to death. From 1999 to 2002, five separate study commissions proposed master plans to improve the administration of public education. In April 2005 Schwarzenegger impaneled the [Governor's Committee on Education Excellence](#), proclaiming that "there is no issue more important to me." The panel, which Mitchell chaired, helped launch an 18-month survey of state education policies titled "[Getting Down to Facts](#)."

The panel [proposed in 2007](#) to streamline mandates, give local administrators more flexibility in spending to go with their accountability for results (today the state controls the money but the locals are on the hook for performance) and delink the school funding process from the annual budget cabaret in Sacramento. But its program was "DOA" in the Legislature, Mitchell says, because additional spending was needed for a transition to a new funding and governance system, and the state budget was in the red.

The bill vetoed by Schwarzenegger was designed to move the reform process again off square one by creating "a final bill," says its sponsor, Assemblywoman Julia Brownley (D-Santa Monica).

"For years we've said this is a problem, and for years the governor and the Legislature haven't done anything about it," she told me.

The need is desperate. Californians don't understand how badly our schools are shortchanged, because it's impossible to track the education dollar and determine whether it's being spent effectively. If we had a more rational and transparent funding process, we'd see not only where our money should go to get the biggest bang for the buck, but also how much more we need to invest to get the world-class education system we deserve.

Michael Hiltzik's column runs Mondays and Thursdays. Reach him at [michael.hiltzik@latimes.com](mailto:michael.hiltzik@latimes.com), read previous columns at [www.latimes.com/hiltzik](http://www.latimes.com/hiltzik), and follow [@latimeshiltzik](https://twitter.com/latimeshiltzik) on Twitter.