



Scotts Valley Unified School Dist. Revenue 101

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(with additions, revisions by Susan Silver)
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The History of School Finance

- School finance in California has largely been shaped by lawsuits and initiatives, starting in the late 1960's.



The History of School Finance



- Four major legal and initiative-driven forces that shaped past and future funding for schools are:
 1. Serrano Decision
 2. Proposition 13
 3. Proposition 4
 4. Proposition 98



The History of School Finance

Serrano: 1968

- Most K-12 revenues were generated from property tax revenue. As property values rose, so did revenue for schools.
 - FANTASTIC IF... you lived in an area where property values were high.
 - NOT SO GREAT IF... you lived in an area where values were low, thereby generating modest funding levels for your schools.



The History of School Finance

Serrano: 1968



- In 1968, a parent of a student from a low-property-wealth school district initiated a lawsuit against Ivy Baker Priest, the State Treasurer. His name was John Serrano, and the landmark case of ***Serrano v. Priest*** was born.



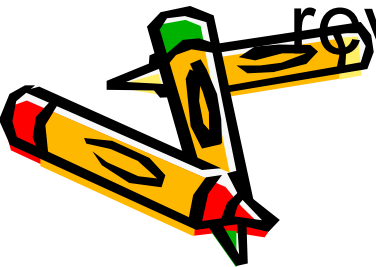
The History of School Finance

Serrano: 1968



Senate Bill 90 (1972)

- Anticipating the Serrano decision, the Legislature established revenue limits placing a ceiling on tax dollars each district could receive per pupil
- 1972-73 spending level became the base amount in determining annual revenue limit (remains to this day)



The History of School Finance

Serrano: 1968

- In 1976, the Supreme Court finds for Serrano, declaring that school finance's dependency on local property wealth violates "equal protection" rights of pupils in low wealth districts, as they were denied an equal educational opportunity.¹



¹ *Serrano v. Priest* (1976) 18 Cal. 3d 728.

The History of School Finance

Serrano: 1968



Assembly Bill 65 (1977)

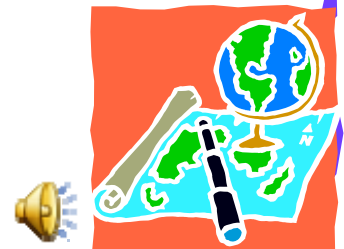
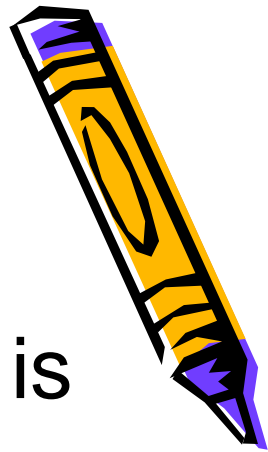
- Created an annual inflation adjustment based on a sliding scale
- Intended to equalize revenue limits
- Established several new categorical programs



The History of School Finance

Serrano: 1968

- Equalizing pre-existing differences is not easy -- the complications of modern day school finance were born!



The History of School Finance

Proposition 13: (Jarvis-Gann) 1978



Constitutional Amendment (voter approved)

- Limits property taxes to 1% of assessed value
- Increases in assessed value per year capped at 2% or % growth in CPI—whichever is LESS
- Wiped out 60% of local property tax revenues
- Invalidated much of AB 65's equalization
- Special purpose taxes must be approved by 2/3 of local voters
- School districts must rely on the state aid component of funding; may not increase property tax rates for general purpose or operational revenues.



The History of School Finance

Proposition 13: 1978-79



Assembly Bill 8 (1978)

- Legislature established formula for dividing property taxes among cities, counties and school districts
- Retained revenue limit concept
- Replaced most of lost property tax dollars with money from state budget
- State effectively took control of school district funding



The History of School Finance

Proposition 13: 1978-79



- Consequences of Prop 13:
 - **Inflation Increases** – State pays 100% of marginal cost of an inflation increase; also known as cost-of-living adjustments (COLA)
 - **Dependent on State's Economy** – K-12 funding dependent on fluctuations in economy and state tax collections rather than relatively stable property taxes



The History of School Finance

Proposition 13: 1978-79



- More Consequences of Prop 13:
 - **Mandated Cost Reimbursement** – Legislature and Governor must approve supplemental state funding for court-ordered and federal mandates. Prior to this, local property taxpayers footed the bill.
 - **Limited Local Revenue Options** – Ability to raise discretionary revenue severely limited.



The History of School Finance

Proposition 4: 1979

- Prop 4 continued the “taxpayers revolt” by establishing constitutional limits on government spending.
- These limits are commonly called Gann Limits (after initiative author Paul Gann), and allow government spending to grow at a rate no faster than inflation and the change in population.



The History of School Finance

Proposition 4 (Gann Limit): 1979

- Voter-approved Constitutional limit on government spending at all levels
- No agency's expenditure can exceed its Gann Limit
- Adjusted annually for changes in population and LESSER of Consumer Price Index (CPI) or California's *per capita* income



The History of School Finance

Proposition 4: 1979

- From 1978-79 base year, per capita personal income grew at 113%, but Prop 4 allowed growth of only 84% over this period.
- Prop 4 was not a “status quo” limitation, but rather served to “ratchet down” government spending.



The History of School Finance

Lottery Initiative (1984)

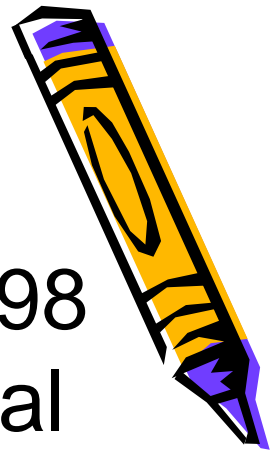


- Voter-approved initiative approving California State Lottery
- Adds less than 2% to school revenues
- 2000 initiative (Prop 20) required approximately 20% of district's lottery revenues be used only for instructional materials



The History of School Finance

Proposition 98: 1988



- Education community places Prop 98 on the ballot to provide constitutional protection of funding for K-12 and community colleges.
- Establishes floor for guaranteed funding; can be “suspended” by 2/3 vote of Legislature
- Requires annual School Accountability Report Card (SARC)



The History of School Finance

Proposition 98: 1988



Proposition 111 (1990)

- The inflation factor is now defined as tied to the CPI, therefore removing the “ratchet down” effect.
- Gann limits can now grow with overall state economy.



The History of School Finance

Monitoring Local Schools: 1991-2004



Assembly Bill 1200 (1991)

- Establishes district accounting practices for tracking and reporting revenues and expenditures
- Must project fiscal solvency two years out, approved by Count Office of Education
- Must provide school-board-approved interim financial reports 2x/year

Establishes Fiscal Crisis and Management Assistance Team (FCMAT)



The History of School Finance

Monitoring Local Schools: 1991-2004



Assembly Bill 2756 (2004)

- Broadens fiscal oversight of AB 1200
- Affects collective bargaining: district and county must certify that district can meet costs of collective bargaining agreement



The History of School Finance

Williams vs. California (2000-2004)

- Found state had failed to give thousands of children the basic tools necessary for their education
- Settlement included for low-performing schools:
 - Accountability measures
 - Extra financial support
 - Additional help in five related bills





The History of School Finance

Williams vs. California (2000-2004)

SB 550 and AB 2727

- Establish minimum standards for school facilities, teacher quality and instructional materials
- Establish accountability systems to implement and enforce standards





The History of School Finance

Williams vs. California (2000-2004)

SB 6

- For schools ranking in lower deciles according to state's Academic Performance Index
- Funds to repair facilities
- Funds for one-time needs assessments





The History of School Finance

Williams vs. California (2000-2004)

AB 1550

- Phases out “Concept 6” year-round schools by 2012
- AB 3001
- Encourages placement of qualified teachers in low-performing schools
- Increases oversight and reporting to ensure teachers are qualified



More on the Revenue Limit

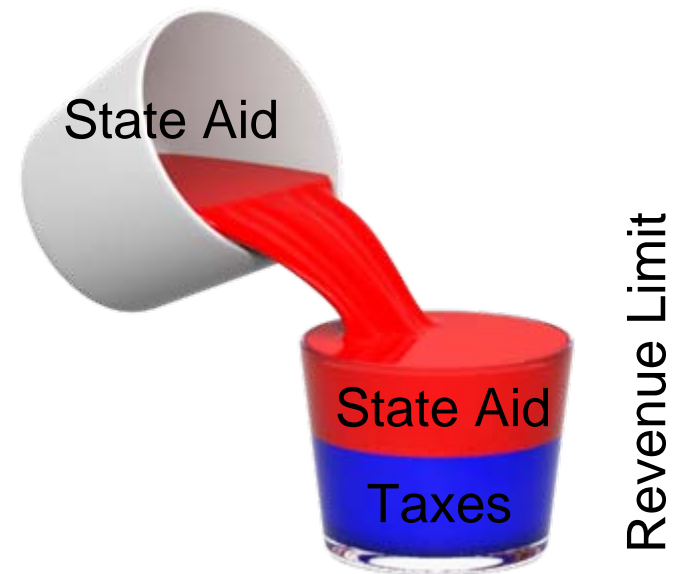
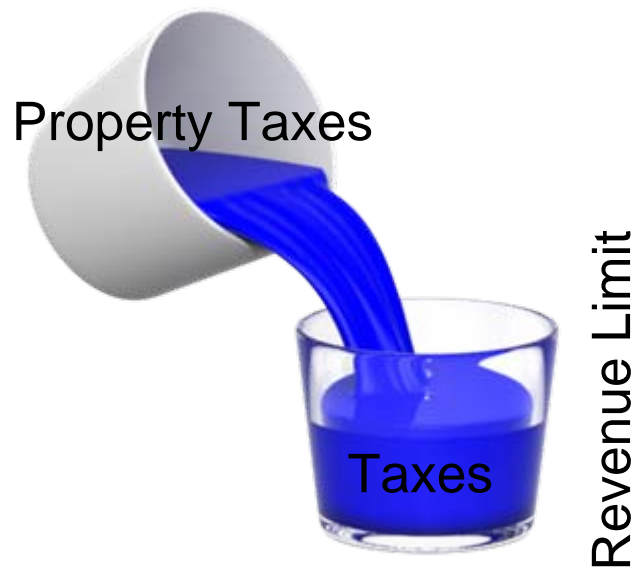
- The Revenue Limit is composed of two factors for most districts:
 - Property Taxes
 - State Aid
- The formula for revenue limit is based on average daily attendance (ADA) times a base revenue limit amount.
- New definition for “ADA”



More on the Revenue Limit

- Money from Local Property Taxes
- Money from the State

Revenue Limit – MOST California School Districts



More on the Revenue Limit

- Money from Local Taxes
- Money from the State

California **BASIC AID** School Districts



Revenue Limit

\$120 per ADA
Basic Aid Guarantee
Eliminated in 2003-04

What is Basic Aid?

- Prior to 2003-04, each school district was guaranteed a minimum amount of “basic aid,” equal to \$120 per ADA or \$2,400 per district, whichever was greater. If the entire balance of the district’s revenue limit is funded by local property taxes, then they would be considered basic aid districts.
- Recently, the \$120 was taken from basic aid districts’ revenues.



Revenue 101

Any Questions?

