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School daze

Here are the Top 5 reasons why figuring out where the money goes in a school budget is not exactly child's play

By John Seiler

If I were pondering what to do for my PhD thesis in public policy as the fall semester looms, I'd investigate one of the most opaque forms of government funding anywhere: K-12 public schools in California.

Overlapping and tangled streams of funding flow from school districts, county departments of education, state and federal sources. It has evolved into a complex system that increasingly moves decision-making farther away from local districts.

How might parents and other citizens put the puzzle together, or, to put it another way, lift the veil that hides the funding formulas? What things would it be most helpful for parents to know to make the funding a little more transparent?

I went to an expert for help in clarifying the scope of the problem and learning what might be done. Steven Frates is a senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College and president of the Center for Government Analysis (www.govanalyst.com) in Newport Beach, which has many databases on state and local governments in California and the other 49 states.

Frates came up with five things that people who want to understand the maze of school funding especially should know:

1. State government drives the spending.

The state Legislature has much more input on how much gets spent where than local school boards have. Proposition 98 funding now mandates that about 50 percent of the state general fund must go to K-12 education.

Proposition 13 sometimes is blamed for the state's increased control over school spending since the property-tax limitation measure was passed by voters in 1978. Mr. Frates said that's not the case. Instead, the problem stems from AB 8, which the Legislature passed in the wake of Prop. 13.

"AB 8 increased the share of the property taxes allocated to counties, cities and special districts while reducing the share of the property tax going to schools," explained a 1996 report by the state Legislative Analyst. "School losses were in turn made up with increased state funds for education."

"The state couldn't resist the temptation to take over the schools," Frates said. Decision-making flowed away from districts, and to Sacramento.

This leads, of course, to less control by local districts and parents and to more centralized decisions by the state.

It doesn't have to be this way. The state could re-allocate funding by giving schools more local property taxes, while making up the difference lost to cities through other state revenues. But that would have to be a part of a complete overhaul of state and local funding that has been talked about ever since I came to California in 1987. Sentiment for the overhaul occasionally picks up new momentum, but ultimately never seems to go anywhere.

2. The state structure managing spending is confusing at best.

Power resides with elected school district officials, the state superintendent of public instruction and the Legislature. But it's hard to describe it in a manner that includes any responsibility or control. Generally speaking, there is limited local control, although that varies.

There's also the governor's education secretary, who has little power, and the state Board of Education, which sets policies such as test and schoolbook requirements, but can be pressured by the Legislature. That happened in 2003, when the

Legislature got the board to delay to 2006 implementation of the high school exit exam.

3. The suboptimal structure leads to dysfunctional school financing.

"It's probably the most dysfunctional financing system in California government," Frates said of the overlapping funding systems. "It's inexcusably complex and opaque and irresponsibly convoluted. It's virtually impossible for the citizen to find where the money is coming from and spent."

He pointed out that the current system has evolved over many decades as the number of K-12 school districts grew to about 1,000 in the state. Besides state and local bureaucracies, there also are county school bureaucracies, such as the Orange County Department of Education, "that may have made sense back in the day of the horse, but make no sense today," Frates said. A little over a year ago, Gov. Arnold Schwarzenegger's California Performance Review recommended consolidating these county departments of education with regional departments. But like almost everything else in the review, nothing came of that reform.

4. Even with centralization, the proportion contributed by each funding source varies.

Some districts depend primarily on local property taxes, others on general fund money from the state.

"K-14 education's share of property taxes [as a share of property taxes collected and distributed locally] in our figure ranges from a low of 23 percent in the City of Industry to a high of 78 percent in an unincorporated area of Santa Clara," a 2000 study by the Legislative Analyst found. But the study noted that this wide variation does not necessarily mean one school district gets more than others because schools that get high local property-tax amounts simply get less funding from the state.

5. Something can be done.

Frates said the best way of reform would be to completely simplify the system so all state education money flows to the individual child. So whatever school the child attends gets the money.

What about special education and other programs? That money, too, would flow with the child to whatever school the child attended, such as those that have programs for special-education children.

Is that a form of school choice, which has been anathema to the education establishment? Frates responded that we already have a school-choice system, in which parents move into a particular district based on how good an education is provided in local public schools. If the money flowed to the child, then everyone - not just those with more resources - could choose the best schools.

Is this too great a reform, given the state government's many problems? Well, the main problem is the state budget, almost half of which is education. By untangling the education funding problem first - by allocating the funding with students, not bureaucracies - the hardest part of the problem would be solved. It's certainly worth further investigation - maybe a whole thesis - given the current situation.