



LEGISLATIVE ANALYST'S OFFICE

Trends in K-12 Education Funding

While California school districts are supported primarily from Proposition 98 funds (state funds and local property taxes), they also receive considerable support from other sources. Below, we discuss K-12 education funding from *all* sources, first as proposed in the 1995-96 Governor's Budget and then over the past ten-year period.

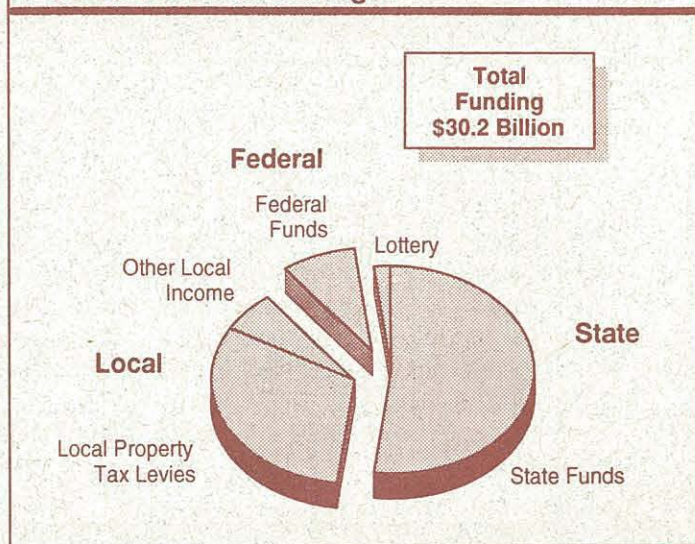
ment System (STRS) and for debt service on school construction bonds and (2) local revenues from such sources as developer fees, sales of equipment and supplies, cafeteria revenues, and interest income.

Total Funding in 1995-96

In 1995-96, proposed spending on K-12 education from all sources—including both Proposition 98 and non-Proposition 98 sources—totals \$30.2 billion (see Figure 1). This amount represents an increase of \$1.1 billion, or 3.8 percent, over the amount expected to be available in 1994-95. Of the \$30.2 billion in total funding, 90 percent is from state and local sources, including 76 percent provided under Proposition 98 and 14 percent from non-Proposition 98 sources. Non-Proposition 98 funding from state and local sources includes primarily (1) state General Fund payments to the State Teachers' Retire-

Figure 1

K-12 Education Funding By Funding Source
1995-96 Governor's Budget



CAL Update

Other major sources of funding are:

- Federal aid—\$2.5 billion (8.4 percent of total funding)
- Lottery revenues—\$568 million (1.9 percent of total funding)

Funding Trends By Source

Figure 2 shows that funding from all sources has increased by \$11.7 billion, or 63 percent, since 1986-87. Increases in the largest funding sources—state funds and local property tax levies—account for \$9.2 billion of the \$11.7 billion increase. There are significant differences in the percentage increase for

state funds (29 percent) and for local property tax levies (148 percent) because about \$3.5 billions of property tax revenues were shifted to schools from other local government entities in 1992-93 and 1993-94, and the state's General Fund obligation to schools was reduced by the same amount.

Funding Trends Adjusted for Inflation and Enrollment Growth

Figure 2 shows total funding on a per-ADA basis, both in current dollars and constant (inflation-adjusted) dollars. It shows that per-ADA funding in inflation-adjusted dollars has decreased by 3.3 percent since 1986-87. Levels of per-ADA funding increased on an infla-

Figure 2

K-12 Education Funding By Funding Source and Per ADA Current and Constant Dollars 1986-87 Through 1995-96

	Funding (Millions)					Total Funding	ADA (in thousands)	Current Dollars Per ADA	Constant Dollars Per ADA
	State Funds	Local Property Tax Levies	Federal Funds	Other Local Income	Lottery				
1986-87	\$12,174	\$3,804	\$1,167	\$979	\$411	\$18,535	\$4,612	\$4,019	\$4,019
1987-88	12,486	4,108	1,345	1,592	590	20,121	4,723	4,260	4,089
1988-89	13,568	4,466	1,517	1,767	911	22,229	4,872	4,563	4,203
1989-90	15,013	4,797	1,634	1,943	781	24,168	5,060	4,777	4,233
1990-91	15,770	5,252	1,770	1,770	602	25,164	5,273	4,772	4,056
1991-92	16,510	5,642	2,041	1,845	432	26,470	5,416	4,887	4,053
1992-93	16,255	6,841	2,257	1,786	479	27,618	5,495	5,026	4,051
1993-94	14,867	8,663	2,335	1,830	556	28,251	5,537	5,101	4,023
1994-95 (Estimated)	15,081	9,130	2,477	1,875	568	29,131	5,641	5,162	3,950
1995-96 (Proposed)	15,763	9,449	2,533	1,921	568	30,234	5,782	5,229	3,886
Cumulative Change									
Amount	\$3,589	\$5,645	\$1,366	\$942	\$157	\$11,700	\$1,171	\$1,210	-\$133
Percent	29.5%	148.4%	117.1%	96.2%	38.2%	63.1%	25.4%	30.1%	-3.3%

tion-adjusted basis through 1989-90, and have declined since then. The levels of per-pupil funding presented in these figures for 1994-95 and 1995-96 are greater than the per-pupil level of Proposition 98 funding discussed in the Governor's Budget (\$4,231 for 1994-95

and \$4,292 for 1995-96), primarily because the figures displayed here include funding sources that are not counted under Proposition 98. These funding sources include federal funds, lottery funds, non-Proposition 98 local revenue, and non-Proposition 98 state aid.

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Economic and Revenue Developments

Economic Recovery Continues

As of mid-March, both the nation and California continued to experience economic expansion and modest inflation.

Consensus National Forecast— "Soft Landing"

The consensus forecast for the nation continues to be that a "soft landing" will be achieved in 1995 and 1996, characterized by slower but continued economic growth and moderate inflation. Economists seem to feel that this outcome has somewhat greater than a 50-50 chance of occurring. Higher interest rates should exert some drag in such areas as housing, car sales and business investment. However, at this point, only a minority of economists are predicting that a dramatic economic slowdown or recession will occur in 1995 or 1996.

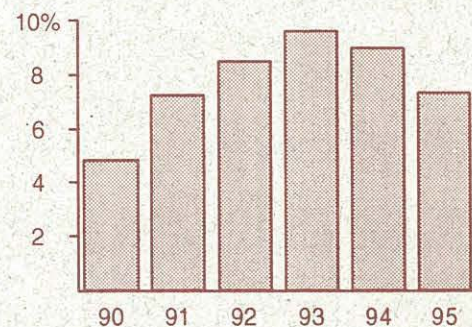
California Continues to Recover

California's economic recovery is continuing. For example, Figure 3 shows that February's

unemployment rate was 7.3 percent, down from 9 percent one year ago and 9.6 percent two years ago. Similarly, nonfarm employment continued to rise in February, and was nearly 150,000 (1.2 percent) above its level one year earlier.

Figure 3

California Unemployment Rate Trend^a



^aData are seasonally adjusted rates for February of years shown and include various definitional changes between years.

Revenues Slightly Below Forecast

Cumulative General Fund revenues through February were \$82 million lower than the forecast for 1994-95 contained in the January Governor's Budget. Although all of the state's major taxes have experienced some softness, Figure 4 shows that the current revenue shortfall is relatively small (for example, about 1 percent when compared to the \$7.1 billion that was predicted to be collected in January and February combined).

Large Revenue Months Are Coming Up

As shown in Figure 5, there is over \$15 billion in projected receipts still expected to come in during the final four months of 1994-95. March is one of the smaller revenue months, with \$2.6 billion projected. However, the following month—April—is projected to be the year's largest revenue month, with over \$4.9 billion expected. Another \$4.9 billion is predicted for June, the year's second largest revenue month. Thus, the full-year performance of 1994-95 revenues will depend critically on how collections fare during the next few months.

Figure 4
1994-95 Projected and Actual Revenues

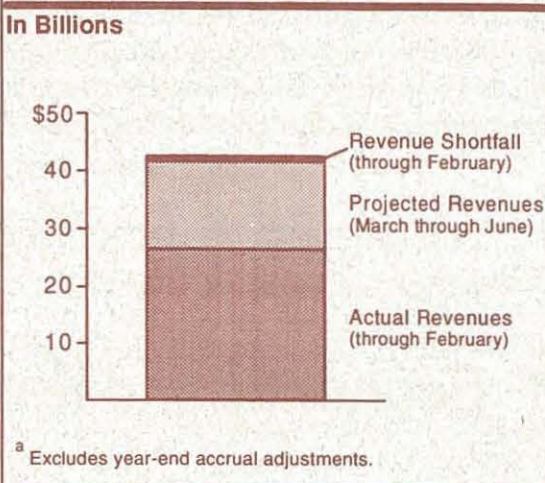
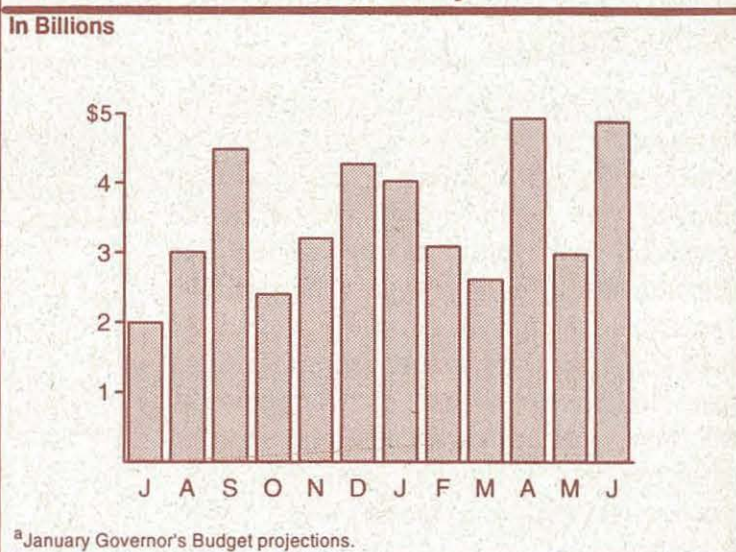


Figure 5
1994-95 General Fund Revenues By Month^a



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