



Ensuring Adequate & Stable Funding for Public Education: Restoring California's Leadership in Funding Public Education

Overview

In the 1970s, California ranked among the country's top 10 states in per-pupil spending for public schools, and its well-regarded schools graduated an unprecedented number of students who went on to attend college.¹ The state's well-supported higher education system, guided by a master plan that guaranteed access to higher education for all eligible students, was virtually free. State universities developed academic and research programs in science, engineering, and a range of high-technology fields that set global benchmarks.² These programs fueled new California industries, creating jobs and positioning the state as a global leader in cutting-edge technology. According to some, California had created the largest, highest-quality, free system of postsecondary education in the world.³

During this era, California's public K-12 and higher education systems served a predominantly white student population, while many students of color found themselves in segregated, separate, and unequal schools. Because school funding primarily relied on local property taxes, a student's zip code determined the resources available, favoring wealthier and predominantly white school districts. Advocacy by impacted families and civil rights attorneys helped level the playing field, ultimately forcing the state to take primary responsibility for funding public schools and districts more equally.⁴

As California's population grew more racially diverse, there was a visible decline in support for public education. This shift was most evident in the passage of Proposition 13 in 1978. The measure drastically reduced property taxes for residential and, disproportionately more so, for commercial properties, which had been the primary funding source for K-12 public schools and community colleges. After over a decade of

drastic, shrinking revenues, voters passed Proposition 98 in 1988. It plugged “the leaking tub” by establishing a minimum guaranteed funding level for K-12 schools and community colleges that roughly equates to about 40% of the state’s General Fund, subject to variations based on student enrollment and economic growth.⁵

While Proposition 98 halted further declines in funding, California has the opportunity to build on this work by investing at levels that fully support all students in reaching their academic potential, especially in communities where the majority of students are low-income and are English Learners. Subsequently, during the years leading into and through the Great Recession, per-pupil spending in California dipped into the bottom five states nationally.⁶

Then-Governor Brown partnered with community members to help pass Proposition 30 in 2012 and Proposition 55 in 2016, imposing new sales taxes (under Proposition 30) and income taxes (under both) to stabilize state finances and prevent deep cuts to public education.⁷ These tax increases expire in 2030, necessitating a renewal conversation for the 2028 ballot.⁸

Under Governor Brown in 2013, and with considerable advocacy from a broad coalition of students, families, educators, researchers, advocates, and community partners, California overhauled the TK-12 school funding formula for the first time in more than 40 years. The resulting Local Control Funding Formula (LCFF) created a more equitable system by establishing a uniform per pupil “base grant” for school districts statewide, along with an additional 20% “supplemental grant” for each student who is either low-income, an English Learner, or a foster youth, and a “concentration grant” allocated to districts where 55% or more students fall into these categories.⁹ Despite the historic improvements to equitable funding, LCFF did not increase school funding levels itself or establish any “adequate” target based on student needs or increasing demands for higher-level academic skills. Instead, LCFF merely restructured how Proposition 98 funds were distributed. The reform was implemented over a period of years, relying on the Proposition 98 minimum guarantee to increase spending levels gradually based on inflation and economic growth.

For California’s public colleges and universities, the state was originally the primary source of funding for both the University of California (UC) and California State University (CSU). However, since the introduction of tuition in 1970 for the UC and 1981 for the CSU, both systems have increasingly relied on student fees.¹⁰ When adjusted for inflation, State General Fund spending on UC and CSU has declined significantly, while tuition costs tripled between 1997 and 2017.¹¹

California’s once world-class, affordable public education system has been undermined by decades of funding cuts and shifting costs to students. While reforms have improved equity and stability, investment still falls short of meeting the needs of today’s diverse learners. To ensure all students thrive, the state must commit to sustained, adequate funding that matches the true cost of providing a high-quality education for every student at every level.

Problem

Today, despite having the world’s fourth-largest economy and one of the nation’s highest proportions of low-income students, California is 34th in per pupil TK-12 spending when adjusted for the state’s high labor costs.¹² Despite its great wealth, California ranks among the bottom quarter of states in terms of the percentage of personal income spent on public education.¹³ Consequently, the state’s TK-12 schools have fewer teachers per pupil than any state other than Nevada, Utah, or Arizona.¹⁴ While LCFF made school finance more equitable among districts, gaps persist in funding and resources among schools enrolling a high proportion of low-income students versus those in wealthier communities. In addition, the federal government is pulling back on its commitment to equity in our schools, leaving a widening gap in much-needed resources to address long-standing and ongoing inequities among student groups.

Similarly, support for public higher education has dropped to about 10% of the General Fund in 2023-24 compared with more than 17% fifty years ago.¹⁵ Once low- or no-cost, tuition and fees have risen beyond the reach of many low-income families, undermining four-year college enrollment and completion rates for Black and Latinx students.¹⁶ As a result, ongoing TK-12 achievement gaps between racial and economic groups persist. While some gaps are narrowing, progress in closing these gaps and increasing postsecondary attainment for students of color living in poverty remains too slow. The state’s tragic underinvestment could leave California short one million bachelor’s degrees by 2030 if investments in public higher education do not continue.¹⁷

Solution

If we hope to build a prosperous and vibrant California that offers equal opportunities for all children to thrive and prepares residents with the skills to contribute to our economy, society, and democracy, the question is not if — but how — the state will raise new revenues to invest across its education systems. State leaders should adopt a master revenue plan to close the education equity and achievement gaps through systematic, strategic investments in California’s most important resource—its human

potential. The plan should aim to return California to its leadership position in supporting public TK-12 and higher education, ranking among the top ten states in both sectors.

A critical first step to support education funding in California is to renew the Proposition 55 taxes on high-income taxpayers. Beyond that, to get to a sufficient and stable level of fiscal support for California public education, no single magic revenue solution exists; instead, new state leadership will need to identify and pursue a combination of readily attainable options.¹⁸ Among those discussed in recent years are:

- Revisit Proposition 13. By advancing measures like Proposition 15 to “split the roll” and require a regular reassessment of commercial property at fair market value, while protecting homeowners.¹⁹
- Reconsider Proposition 13’s outsized tax breaks for high-value estates, especially the disproportionate benefits to owners of multi-million-dollar residences. Warren Buffett, among others, has wondered if Proposition 13’s disproportionate tax break should specifically be reconsidered.²⁰
- Tax oil extraction to bring California in line with other oil-producing states.²¹
- Implement a tax on business or personal services, as most other states have done.²²
- Reinstate a California estate tax on high-wealth estates, consistent with pre-2017 federal rules, to generate billions in revenue.²³
- Reinstitute the ability of local school districts to propose general taxes (like sales or income taxes) upon approval of a simple majority or 55% of voters,²⁴ with equity safeguards to protect educational equity statewide.

As revenue grows, it will be critical to refine the system to distribute funds more equitably and ensure investments effectively meet the needs of our highest needs students. This can include increasing transparency and tracking of resources, as well as exploring further changes to the LCFF formula, such as funding students in the unduplicated student count separately and investing in evidence-based instructional models.

Any comprehensive solution will need to pursue a mix of measures, some mentioned here and likely others not yet conceived. There is little chance of a systemic attack on California’s education underfunding and its equity gaps, unless a bold vision and a public will-building agenda are developed to provide the state’s Black, Brown, immigrant, English Learner, and low-income students with the best opportunities California can offer.

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