Center for Policy Research

Maxwell School of Citizenship and Public Affairs

11-2012

A Missed Opportunity in California

John Yinger

The Maxwell School, Syracuse University, joyinger@syr.edu

Recommended Citation

It's Elementary

A Monthly Column by EFAP Director John Yinger
November 2012

A Missed Opportunity in California

California has one of the least equitable education finance systems in the country. The state's main operating aid program does not account for the higher costs of providing education in districts with a high concentration of at-risk students, and the categorical aid programs that account for these students are relatively small, poorly targeted, and constantly changing. Moreover, because Proposition 13 drastically limits school districts' ability to raise revenue from their own resources, districts with a high concentration of at-risk students cannot even begin to overcome the inequity in the state aid formula by raising taxes themselves.[1]

In 2012 California had the opportunity to rectify this situation—or at least to take a major step in the right direction. In his budget proposal for 2012-13, Governor Brown called for consolidating most of California's categorical aid programs for school districts into unrestricted aid and distributing that aid using a weighted-student formula, with higher weights for students who live in poverty or who speak English as a second language. This type of formula, which is already used in about half the states, would add greatly to the fairness and effectiveness of California's public education system.

As regular readers of this column (should any such readers exist!) already know, a weighted-student formula is consistent with a large scholarly literature on the topic. Indeed, most scholars agree that, through no fault of their own, school districts with high concentrations of students from poor families or who speak English as a second language must provide extra services and hence spend more than other districts to achieve the same level of student performance. For example, William Duncombe and I study the cost of reaching various levels of California's Academic Performance Index (API), a composite measure of student test scores across grades and subjects, which is used in the state's accountability system. We find that to reach a given value of the API, education costs are 56 percent higher for a student from a poor family than for a student from a non-poor family and 55 percent higher for a student with limited English proficiency than for a student proficient in English.[2]

---

[1] More information on California's education finance system can be found in William D. Duncombe and John Yinger, "Making Do: State Constraints and Local Responses in California's Education Finance System," *International Tax and Public Finance* 18 (3) (June 2011): 337-368. A description of student-need adjustments in other states can be found in Yao Huang, "A Guide to State Operating Aid Programs for Elementary and Secondary Education, in *Helping Children Left Behind: State Aid and the Pursuit of Educational Equity*, edited by J. Yinger (Cambridge, MA: The MIT Press, 2004), pp. 331-352.

[2] See the Duncombe/Yinger study cited in the previous note. This study is the source of other results in this column, as well.

These results are similar to the ones Professor Duncombe and I have estimated for other states, including New York, Kansas, Massachusetts, Missouri, and Nebraska.[3] In the past, most states used considerably lower values for student weights than those estimated by scholars, but in recent years, several states, including New York, Maryland, and New Hampshire, have implemented weights for students in poverty that are more consistent with the scholarly evidence. Governor Brown's proposal called for a 37 percent weight for students in poverty or who are not proficient in English. This weight would have brought California close to this group.

Unfortunately, however, the Governor's revised proposal cut these weights to 20 percent, and the final budget eliminated them altogether. In the understated language of the California Budget Project, California's final 2012-13 budget "Rejects the Governor's weighted pupil funding formula proposal."[4] As a result, California will continue to operate an education system that expects districts with high concentrations of students who live in poverty or who speak English as a second language to meet the same academic standards as other districts without giving those districts the resources they need to overcome disadvantages that are not of their own making. This situation is profoundly unfair. It also imposes large costs on the state as a whole because it ensures that many of the state's children do not receive an adequate education.

The debate about the weighted-student formula in California raised several other issues that are worth exploring. First, most scholars find that the cost impacts of poverty and limited English proficiency are additive. For reasons outside a school district's control, for example, education costs in California are over twice as high for a student from a poor family who speaks English as a second language than for a student who is a non-poor native English speaker. Governor Brown's proposal did not add these effects; instead, it called for higher student weights at higher levels of each student disadvantage. This provision focused aid on the neediest districts, which is a step in the right direction, but the scholarly literature has not found this type of non-linearity, and this provision understates student weights in districts with high concentrations of students in both categories.

Another important issue concerns wage rates. School districts in high-wage labor markets or with challenging working conditions must pay more than other districts to attract the same quality teachers. Because wages constitute most of a school's budget, a 10 percent increase in regional wages results in an almost 10 percent increase in educational costs. To fully account for factors outside a district's control, therefore, an aid formula should also adjust for regional wage differences and, if possible, for challenging working conditions. This type of adjustment was not considered in California's 2012 debate, but is worth considering if California returns to a weighted-student formula.

---

[3] See, for example, William D. Duncombe and John Yinger, "How Much More Does a Disadvantaged Student Cost?" *Economics of Education Review* 24 (5) (October 2005): 513-532.

[4] California Budget Project, "Governor Signs 2012-13 Spending Plan," July 9, 2012, p. 9, available at: http://www.cbp.org/documents/120629_Final_Budget_Agreement.pdf. The original, revised, and final budgets can be found at: http://www.ebudget.ca.gov/. I suspect, however, that this web address will change when the 2012-14 budget is posted.

Professor Duncombe and I also found that high-school-only districts have higher costs, and elementary-only districts have lower costs, than unified districts, which are districts that serve a K-12 population. These differences are fairly large—on the order of 15 to 20 percent per pupil. Governor Brown's revised proposal added grade adjustments to the base aid amounts. These adjustments were somewhat smaller than the Duncombe/Yinger estimates, but seemed reasonable to me.

In addition, a heavy reliance on categorical aid instead of unrestricted, weighted-student aid constrains school districts and thereby makes it more expensive for them to achieve the state's student-performance objectives. Professor Duncombe and I estimate that doubling categorical aid would reduce a district's efficiency by about 11 percent. In the past, California's heavy reliance on categorical aid raised educational costs, and the Governor's proposed consolidation would have continued the sensible, but uneven move away from categorical aid that has occurred in California over the last several years.

Finally, despite a broad consensus that it costs more to educate disadvantaged students, scholars do not agree on the best method for estimating the resulting cost differences. Every state that uses a weighted-student formula needs to identify or create institutions to conduct the necessary estimation in an objective manner. I believe the best approach is for a state to establish an independent board for estimating the student weights that are included in an education aid formula.

California missed an opportunity this year. To move toward a fair and effective education finance system next year, education policy makers in the state should consolidate categorical aid programs, incorporate student weights into the operating aid formula, and create an independent board for estimating these weights.